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The Washington Monthly

SEPTEMBER 1980/$2

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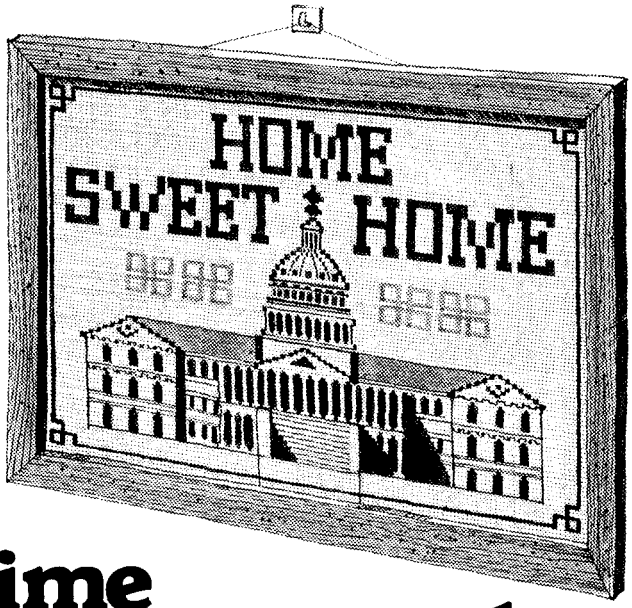
Politics



... a lifetime career or a citizen's duty?

One of the reasons this country is faced with rising inflation, record interest rates, and energy shortages is that too many in Congress ignore the protests of taxpayers and continue to create larger and more costly government.

One reason for this is because, in many cases, the citizen-legislator has been replaced by the career politician who considers Washington, D.C. home and loses touch with the real world outside Washington. Concern for reelection has overshadowed the desire to make the hard decisions needed to solve the nation's problems.

Incumbents have provided themselves with the most sophisticated tools to insure reelection, such as TV studios, free mailing, a large and expensive staff, and sophisticated computers.

In the Congressional elections held since 1962, an average of ninety-four percent of the incumbents who sought reelection were returned to Washington. The average years of service for powerful committee chairmen is more than 21.

That is why many thoughtful people are proposing a Constitutional amendment to limit Congressional terms. The most frequently mentioned idea is three four-year terms for the House of Representatives and two six-year terms for the Senate. Many also recommend one six-year term for the President.

Term limitation will help restore citizen-legislators to government. Then those who pass the laws are an actual part of the communities which must live with those laws. A citizen-legislator expects lawmaking to be a temporary activity, remaining active in and returning soon to a private career.

Momentum is building for such a plan. A Gallup survey indicates sixty-six percent of the American people support limiting Congressional terms.

If we are serious about bringing inflation under control and putting the nation on a course toward greater personal freedom and individual opportunity, a responsible, truly representative Congress, composed of citizen-legislators, would be an important step. Amway Corporation, Ada, MI 49355.

Amway

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One of a series of messages to stimulate public dialogue about significant national issues.

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Letters

The Razorbacks' Edge

The authors of your May article, "How the Chamber's Computers Con Congress," [Mark Green and Andrew Buchsbaum] seem to think Wilbur Mills represented an Illinois district; at least, they imply that in describing the "Fayetteville, Illinois" banquet honoring him. I admit there is a Fayetteville in Illinois; but unless it has a sister city program going to bring in all Wilbur's friends and relatives for the day, I think Fayetteville, *Arkansas*, a far more likely location.

KATHERINE A. HINCKLEY
Akron, Ohio

The Eyes Get It

Having been a government official for nearly eight years, and having read *The Washington Monthly* nearly as long, I want to thank you for helping me become a better bureaucrat. I also want to point out something I have learned in that time. The bureaucracy, while frequently outrageous, does not always deserve your or the public's enmity. Often we bureaucrats are backed into a corner of absurdity despite our best efforts. Allow me to cite an example.

In 1977, Pennsylvania's Medical Assistance program, in accordance with federal policy, provided eyeglasses to adult Medicaid recipients only if pathology required them. The program did not cover eyeglasses for simple refractive errors. The Welfare Rights Organization challenged this policy in court. The court ordered us to provide eyeglasses for all adults with any vision problem, or for no one. Medicaid being chronically underfunded by Pennsylvania's General Assembly, we chose no one.

Early this year, another court ordered us to re-open the eyeglass program. The Welfare Rights Organization had charged that the Department of Public Welfare, three years ago, did not provide adequate notice to Medicaid recipients that the eyeglass benefits would end. The court agreed. It instructed the DPW to re-open the program; to notify all 600,000 Medicaid recipients that eyeglasses were available for both pathology and refractive errors; and to provide 30 days' notice to recipients that the program would end.

The program re-opened May 7 and was scheduled to close May 17. Response was so great that one provider, Pearle Vision Centers, is reported to have shipped its entire national production to Pennsylvania in order to meet demand. The cost is now estimated to be $250,000 per week.

I say "per week" because there is another episode in this story. On May 16, one day before the program was to end, yet another court ruled that 30 days' notice was insufficient—not for the recipients, mind you, but for the providers. The court said that closing the program would cause a severe economic impact on them. While the DPW is appealing this latest decision, the program remains open to satisfy the court's instruction in case the welfare department loses its appeal.

TIMOTHY POTTS
Mechanicsburg, Pennsylvania

Mr. Potts is assistant press secretary for the Pennsylvania Department of Public Welfare.

More Guilt

Bonnie Goldstein, in her article about trade association insurance plans ["Guilt by Association," February], cites the group life plan of the American Nurses Association. She identifies Prudential as the insurer (insurance carrier), Kirke-Van Orsdel Inc. as the broker (who arranges the insurance).

Prudential ceased to be ANA's insurer when Kirke-Van Orsdel Inc. was named the broker, in February 1979. At that time, the entire account was transferred to North American Life & Casualty.

In view of this glaring error, we ask you to retract your statement about the broker's and ANA's commission arrangements: "It costs nurses nearly 20 percent of their premiums just to get their money delivered to Prudential."

H. RICHARD SOUDERS
Wayne, New Jersey

The writer is vice president for Group Insurance of Prudential Insurance Company of North America.

The author replies:

I was told by officials of Kirke-Van Orsdel that Prudential was ANA's carrier. Since I had no reason to doubt that ANA's broker would know the identity of its own carrier, I made no further effort to verify this information. I regret the error.

As the full context of the article makes clear, I did not say that insurance carriers like Prudential are benefiting from the generous commission arrangements associations and brokers make for themselves. My criticism was reserved for Kirke-Van Orsdel, ANA, and others like them.

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SEPTEMBER 1980

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Tilting at windmills

There is a weird new logic loose in liberal-land. One example: Two rich black contractors shot two members of a poor black family in Maryland. The killers pleaded self-defense. The NAACP claimed that Maryland officials set their bail too high, and their lawyers argued that the police should have believed the contractors because, when whites are involved, officers defer to the claims of the rich over the poor.

Another example: E.L. Doctorow, in a recent issue of *The Nation*, a publication that has long been a dedicated defender of the right of privacy, criticizes Reagan because "he did not act like a Governor, he went home at five o'clock in the afternoon and forgot the job until the next morning. He scrupulously kept his private life private—very odd in the American political tradition, where one's spouse, children, parents, sisters and brothers, medical problems and psychological difficulties are all grist for the mill. The impression is that he turned his Governor's persona on and off with a ventriloquial indifference."

In the same article, Doctorow seems to find something sinister in the fact that in the 1930s, Reagan, in broadcasting play-by-by accounts of Chicago baseball games on the basis of Western Union messages, "made an art of describing the game as if he were sitting in the stands, faking the scene in all its drama with only a sound effects man to help him." Doctorow finds this the beginning of Reagan's "peculiar affinity for simulated life." If so, it was an affinity Reagan shared with almost every other sports broadcaster of his era, because the description of almost all "away" baseball games was based on the same combination of Western Union and imagination. Elsewhere in the article, Doctorow discusses "the soul-murdering complacency of our provinces" and describes Reagan's undergraduate years as "a third-rate student at a fifth-rate college." If the intellectuals of the left ever wonder why the average man harbors a certain resentment against them, they ought to read Doctorow's article very carefully.

In 1979 the Federal Election Commission performed 106 audits of congressional campaigns. In 1978 it performed none. Congress has passed a law forbidding audits in the absence of suspected wrong-doing. The catch is that in most cases an audit is the only way to determine if there is reason to suspect wrong-doing. . . .

The advance publicity for a new book called *Partners* indicates that I have been unfair to the new breed of women lawyers when I characterize them as spending all their time worrying about torts and contracts. The Literary Guild's description of *Partners* suggests a richer inner life:

"*Partners* is a searing look at three strong and complex women and how they cope with sex, money and power in the courtrooms and bedrooms of contemporary Texas. T.J. Brookover worked her way through college as a topless waitress, established a controversial law practice and is now on trial for murder. Lois Hughes chose the most eligible husband and best law firm in Houston but wishes she hadn't chosen to represent T.J. in a sensational trial. Norma Jean Spencer is a judge who will do anything to further her career. The lives of each of these women merge in a stunning climax to an unforgettable novel. *Warning: Explicit sex.*". . .

The one aspect of liberal legislation that delights conservatives is what they call its "unanticipated consequences." Now it's the liberals' turn to laugh, for that great triumph of conservatism, California's Proposition

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13, has turned out to have a very unanticipated consequence. It seems that even when local governments have a surplus and can reduce taxes, they are afraid to act because if they found themselves needing more revenue in the future, they would be faced with Proposition 13's requirement that new local tax increases be supported by a two-thirds vote of the people. . . . The most maddening anti-draft argument is that all we need to attract able people to the armed forces is higher pay. More pay will solve some practical problems for some service families, but it will not solve the number one deterrent to recruitment—the nation's lack of respect for those in the services. Until a reasonable number of people from the upper classes demonstrate their esteem by joining up themselves, the average man is going to continue to refuse to risk his life for those who would look down on him for doing so, no matter how much he is paid. . . .

The reality of life in the foreign service has never been captured better than in this anecdote from Stanley Meisler's forthcoming book on his experiences as a correspondent for *The Los Angeles Times*:

"In Cameroun, the American Charge d'Affairs, whom I had never met before, once asked me to sit down and read his "chron file"—all the messages and reports, both classified and unclassified, that he had sent to the State Department during the year. I reluctantly read through endless pages of boring analyses of the boring politics of Cameroun, pondering all the while the question of just why the author had granted me this unsought privilege. The reason soon became obvious. No one in Washington had ever read his reports carefully and admired the kind of work he put into them. They had probably never even noticed his attempt to break from bureaucratic jargon. A report on the latest maneuvers of the Cameroun President, for example, began, 'Ahidjo,' the old fox, is at it again.' I had found nothing useful in the chron file for my own reporting, but I still complimented him on his depth of analysis and clever turns of phrase, and he seemed pleased.". . .

Reagan, it must be acknowledged, had a unique approach to sports reporting. In covering the football games of the University of Iowa's Hawkeyes, he described running plays as, "It's a hippety-hop to the left" or "It's a hippety-hop to the right."

Last month's article on campaign consultants reminded me of my favorite story about one of the men it discussed, Matt Reese. The date was April 5, 1960. Matt and I and several other Kennedy campaign workers from West Virginia had been summoned to Robert Kennedy's house to discuss how to overcome Hubert Humphrey's 60 to 40 lead over John Kennedy in the polls. The specific problem was how to dispel suspicions about Kennedy's Catholicism that were widespread among West Virginia's Protestants, who constituted 95 percent of the state's electorate. I was going on at considerable length about the need to get Franklin Delano Roosevelt, Jr. to come to our support, expounding on the significance that such a blessing from God's son would have in freeing people to vote for a Catholic. I could see I was failing to explain why the Roosevelts meant so much to West Virginians, and Bobby, eyes glazing over, finally interrupted me and turned to Matt, who said: "Last week I was walking down the street in Logan with a friend and he suddenly stopped and said, 'Mrs. Roosevelt stood right here.' I said, 'I didn't know she had been here recently,' and he replied, 'Oh, she hasn't, I'm talking about when she was here in 1934.'" Bobby immediately went to the phone and called FDR, Jr., who came to West Virginia and turned the tide. Which is how I didn't make history, and Matt Reese did.

Remember the March consumer-credit cutbacks ordered by the Federal Reserve? The main result, now that interest rates are back down to eleven percent and consumer credit is flowing freely, is fees for

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Mastercharge and Visa. They once charged no annual fee; as soon as the fleeting "crackdown" was announced, they all patriotically imposed annual fees of $15 to $20.

This couldn't have been done without the help of the phony credit crisis. Several years ago, Citicorp tried to impose a $6-a-year credit card fee. Its cardholders rebelled and started canceling cards; Citicorp retreated and refunded to those who had paid the fees. There were a lot of business-section articles about how this proved that free competition was in perfect working order because the market had controlled a corporate excess on its own. But this year, Carter's phony credit crisis suspended the market's effect—we were panicking and being told we were lucky to have cards at all, so we were afraid to object to the new fees. Now we're stuck with them—permanently. . . . Why is it that the Soviet military produces simple weapons that work and we can't? Their tanks may lack the marvelously computerized firing systems ours possess, but they also lack that exquisite sensitivity to dust that seems to disable America's newest tank, the XM1, after it leaves the paved proving ground. Their rifle, the Kalashnikov, has a similar edge over our M-16, because, according to Reuters' Bernd Debusmann, of "its dependability in harsh conditions and its easy maintenance. Field-stripping a Kalashnikov takes a matter of minutes, from opening a cover plate over the chamber to taking out the firing spring, sliding open the bolt groups and shaking free one bolt piece—four steps in all. Field-stripping and cleaning the Kalashnikov's major rival, the American M-16, takes about one hour."

To younger people who ask how those of my generation could ever have been fooled by J. Edgar Hoover, I have often pointed to the time the FBI almost instantly apprehended eight saboteurs that the Nazis had sent here by submarine early in World War II. Well, now even that excuse has been stripped away by Seth Kantor of *The Atlanta Constitution,* who has revealed that the case wasn't cracked by the skill of the FBI but by an informer among the saboteurs—a fact that Hoover, with characteristic manliness and generosity, spent the rest of his life trying to hide. . . . Whenever you become impatient with the Doctorows and their view of America, consider J. Edgar Hoover, and you have to admit that sometimes they're right. . . . Everyone seems to be proposing an income tax cut for 1981. Instead, why not roll back the scheduled increase in the social security tax? It is the tax that falls most heavily on the working poor and—because it is a tax a company must pay regardless of whether it is making money—on the struggling business. The income tax, paid by those who can afford to pay, is a better way to finance social security in any event. . . .

The main reason we can't have intelligent discussions about price controls is that both sides are blind to the reasonable points of the other. There is a lot of evidence, repeatedly cited in this column, that price controls can work over short terms like 1942-1945 and 1971-1972. But there is also clear evidence that controls can't work over long periods. The experience of cities like London and New York with long-term rent controls has been tragic, and here in Washington controls are resulting in the disappearance of rental housing. . . . Why didn't Chrysler use Chapter XI of the Federal Bankruptcy Act instead of asking the government to bail it out? When creditors are pressing a company beyond its ability to pay, Chapter XI provides a way for the courts to intervene to enforce a plan of payment the company can live with, assuming a simple majority of the creditors agree. (Chrysler's government-financed plan, on the other hand, was jeopardized by a mere handful of holdouts—something that could not happen under Chapter XI.) The catch is that the press invariably uses the word bankruptcy in any report of a Chapter XI proceeding. This scarcely enhances the reputation of the company involved, and is therefore a substantial deterrent to the use of Chapter XI by companies that need just the sort of help it offers. It's ironic that the press, by its misreporting, discourages timely resort to Chapter XI and thus probably

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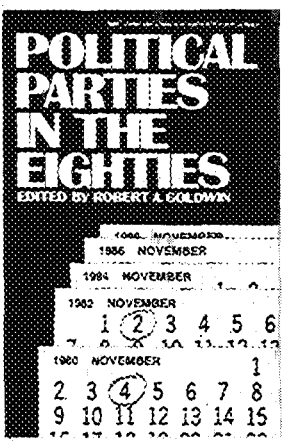

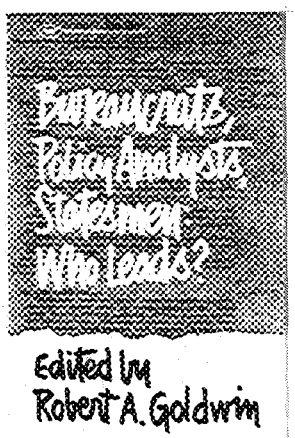

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encourages ultimate bankruptcy.

The solution may be simple: Put Chapter XI in some part of the U.S. Code far removed from the bankruptcy laws. Then reporters will no longer say a "bankruptcy" or a "proceeding under the bankruptcy act" when they're describing an arrangement with one's creditors under Chapter XI.

People who can afford to go on cruises tell me there is always some seminar on "Hematology Today" or "Fractures of the Lumbar Region" being held below deck, always sparsely attended, but always there. It's there so your friendly doctor can deduct the cost of the cruise from his income tax. While your physician is lounging beside the pool or dancing in the bar, he is fulfilling a requirement that now exists in more than 20 states that he subject himself to some kind of continuing medical education each year. As Dr. Rene St. Leger of East St. Louis, Illinois, told *The Wall Street Journal*: "I always wanted to go to Rio, so why not?"

Some may not have to bother with a tax deduction—they can simply charge their trip directly to the government. Take the case of 40 Virginia nursing home operators and employees who recently flew to Honolulu for a convention at a cost of $1,350 each. According to *The Washington Post*'s Glenn Frankel:

"... under federal health care guidelines adopted by Virginia and most other states, the nursing home group could bill most expenses of the trip to federal health insurance programs for the poor and elderly as 'costs related to patient care.' The reason: sandwiched in the five-day Honolulu conference were 18 hours of education sessions on topics such as antitrust law, labor relations and drug reaction.

"'Of course it was fun, but it was also very educational,' said Vivian V. Hewett, administrator of the Woodbine Nursing and Convalescent Center in Alexandria. 'They had seminars every day of the week and they were excellent.' But besides the seminars, the convention package included optional golf, tennis, and deep-sea fishing tournaments, an all day scenic tour of Oahu's north shore, a 'Pearl Harbor Cruise with lunch,' and an evening show that promised 'you'll dine to beautiful surroundings and see a show by one of Hawaii's top male entertainers!"

In my first annual report on the Lewes-Cape May ferry that crosses the mouth of Delaware Bay, I complained that the sign reading "Life Boats This Way" pointed the 700 passengers to two boats with a capacity of 25 each. In my next report, I noted an improvement: the "Life Boats This Way" sign had been painted over. This year the signs are back, and beside the two life boats are six life rafts, each of which also carries 25 people. So now the 700 people can charge up narrow stairways of the vessel—which the United States Coast Guard continues to certify—and compete for a total of 200 places in the boats and rafts.... If you are saying 200 places are better than 50, instead of why not 700, you should immediately apply for a government job. You think the way Washington thinks. And if you are the sort who said why not 700, and you went to work for the government anyway, it wouldn't be long before you would be congratulating yourself on having reached 200. There is no better example of this than Alan Campbell, the head of the Office of Personnel Management. "Scotty," as he is called, is a wise man who came to Washington with some good ideas about the reforms needed in the civil service. But after enormous effort, he has made only modest improvements (see Leonard Reed's article in this issue). Still, if you know the town, you can hardly blame him for wanting to think it's a revolution....

You would expect a conservative state like Virginia with a conservative governor like John Dalton to believe in self-reliance on the part of its business and government. Well, Virginia applied for extra funds from Amtrak for the

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Washington-Newport News corridor and Amtrak countered with an offer to pick up 80 percent of the additional cost if the state would pay the rest. The state refused. It wanted a straight handout, something for nothing, in the good old conservative tradition. Would the enterprises along the way that benefit from Amtrak—like Kings Dominion, Busch Gardens, Colonial Williamsburg, and the many businesses centered around them—pay the 20 percent? Of course not. Like all today's good, solid American businessmen, they, too, want a handout. . . .

I was recently fascinated to see another article quoting a director of the Peace Corps as singling out its senior citizen volunteers for praise. Beginning with Sargeant Shriver, every Peace Corps director has said the same thing. Yet, during the seven years I spent evaluating Peace Corps programs, the general rule was that—with an occasional, sometimes even spectacular, exception—older people didn't do as well as the other volunteers. And this seemed to begin to be true, not as late in the person's life as the sixties, but somewhere in the thirties and forties, when people begin to get less flexible in their ability to adjust to hardship or a different culture. In my own life, I realize that, while I had been able to live happily in a New York tenement in my early twenties—even to think it was a lark—by the time I was 50 I no longer felt that it was romantic to stay in the cheapest flea-bag in Naples. Why, then, do Peace Corps officials repeatedly deny this fact of human nature? Because, I think, of another fact of human nature, that people want to read such stories and therefore journalists want to write them—so if you want to get publicity for your organization, you will give journalists stories they want to write. . . .

Ronald Reagan recently held a private meeting with the reporters and editors of *The Washington Post*. He told them that for his administration, "I want people who don't want a job in government. I want people who will have to take a step down to take a position in government."

"Rich with implication for the current debate over government regulation."*

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He went on to say he would not choose people to pay off campaign debts.

I think he is dead wrong. I came to Washington to work in the government, in large part because of the work I had done in John F. Kennedy's campaign in West Virginia. I was a politician. I was a politician because I enjoyed it and because I hoped it would lead to a chance to function in government. Because of the importance of West Virginia to the Kennedys and because I was a lawyer and thus somewhat easier to hire without regard to ordinary civil service rules, I came to Washington and had a chance to participate in the administration that I had helped elect. And because I was a political appointee, I had a stake in helping it to perform well so that it would be re-elected and I would be re-appointed.

But even then my case was very unusual. There were only a handful of people in any federal agency whose appointments had anything to do with politics. In fact, the Washington air was already so full of Merit is Good, Politics is Bad, that I was embarrassed by the reason for my job and did not hang my autographed picture of John Kennedy on my office wall until November 23, 1963. Such embarrassment seems pathetic to me now. Why shouldn't I have been proud to have worked in politics? Why shouldn't I have assumed that if I wanted a chance to work in a government, I had an obligation to help elect that government? And why shouldn't I have expected that if I worked effectively in that campaign and displayed the kind of judgment and dedication needed in government that I would be rewarded by a chance to serve in government?

The reasons are many, but the main one, I think, is that the Boss Tweed and other political scandals of the post-Civil War era convinced America that politics was bad. Today you hear John Anderson piously refer to "the political process," when the word politics would do just as well if it didn't sound dirty. What happened was that Americans began to equate politics with crooked politics. They replaced politicians with civil servants, so that today we have a federal government that is 99 percent civil service, and state and local governments that are rapidly approaching that figure. The catch is that, by abandoning politics, we have abandoned democracy. The people we elect no longer have a chance to change the government because they can't change its personnel. Smart people realize this. That's why so few of them run for office or bother to vote. One of the last states to be turned over to the civil service was Pennsylvania, and some of its citizens are beginning to have second thoughts. William Ecenbarger, the Harrisburg correspondent of *The Philadelphia Inquirer*, is one:

"Under former Governor Milton J. Shapp, the patronage payroll system was abused egregiously. . . . The solution was to abolish the patronage system. But having done that, Governor Thornburgh has found that Civil Service, which immunizes state workers to political dismissal, may be a greater personnel problem. So pervasive is the Civil Service system in Harrisburg today that many crucial policy-making positions are sheltered by it, and it is impossible for the administration to put its mark on many tentacles of the bureaucracy. For all its problems, the patronage system at least allowed governors to place their own people in sensitive jobs—and who says that a governor *has* to hire incompetents?"

Who indeed! The answer to crooked politics is not an unaccountable civil service but clean politics.

But most of the country remains brainwashed by the idea that politics has to be bad. Witness Anderson and Reagan. Or Reagan's daughter, Patti, who told one interviewer that nuclear power is an issue "beyond" and "more important" than politics. Or take a recent study of the FAA that concluded that FAA administrators must be "competent, nonpolitical people." Or the President's Commission for a National Agenda for the Eighties, which has postponed its report until after the November election in order to be "above partisan politics." Maybe the campaign should be postponed until after the election so that it too could be above politics.

—*Charles Peters*

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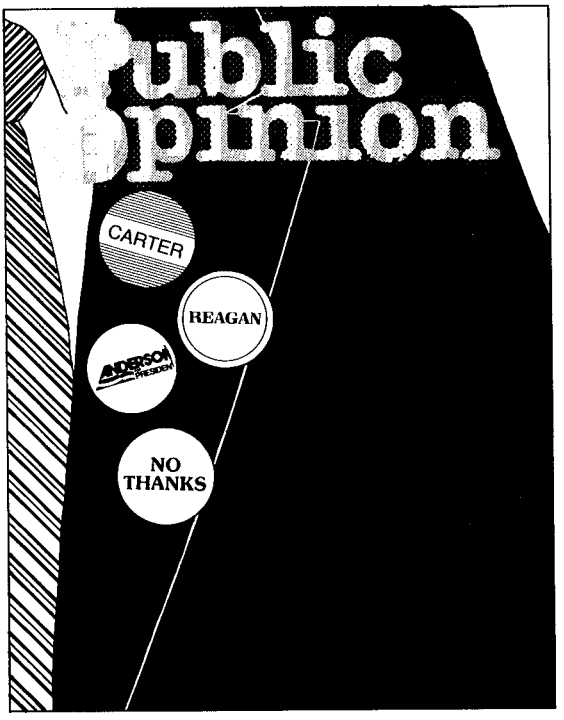

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Pie~Slicers vs. Pie~Enlargers

by Robert B. Reich

The United States now has the highest percentage of obsolete plants, the lowest percentage of capital investment, and the lowest growth in productivity and savings of any major industrial society. Some reasons for our decline are obvious: Rampant inflation, fed by energy price hikes, discourages personal saving and productive investment; tight-money policies designed to fight inflation further dampen new investment.

But the current crisis has deeper roots. Simply put, the structure of our economy—its underlying organization, the incentives it offers—has discouraged long-term growth in favor of short-term paper profits. An ever-larger portion of our economic activity is focused on rearranging industrial assets rather than on increasing their size. Instead of enlarging the economic pie, we are busy reassigning the slices.

Look around you, and you can see the rearrangers hard at work, prospering. They are the accountants who manipulate tax laws and depreciation rules to produce glowing—or at least presentable—annual reports. They are the financiers who think up new varieties of debentures or new mutual funds. They are the consultants who plot acquisition campaigns and the lobbyists skilled at obtaining government subsidies. They are the corporate executives, trained in law and finance, who hire all of the above, and the lawyers whose briefcases bulge with the statutes, opinions, depositions, interrogatories, motions, and prospecti necessary to carry out their strategies.

Whom you hear less and less of are the pie-enlargers—the engineers and inventors who create better products at less cost, and the entrepreneurs and workers who translate those ideas into new factories, new jobs, and ultimately into goods and services that people want to buy. By any number of measurements, including the total amount of money, effort, and media attention devoted to each, the ratio of asset-rearrangers to asset-enlargers in our economy is running at about 2 to 1.

The most obvious example is the continuing rage of mergers. In the last three years some $100 billion of corporate cash resources have been used to acquire exist-

Robert B. Reich is director of policy planning at the Federal Trade Commission. This article reflects his own views, and does not necessarily represent the views of the Commission or of any commissioners.

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ing corporate assets through tender offers. This money otherwise could have been spent on new factories and other productive uses. Some of it may eventually find its way into the hands of investors willing to take such risks—but just as surely, much of it does not. Instead of generating future economic expansion, the money circulates among companies like the stakes in a floating dice game.

The pace of this game has been accelerating. In 1978, 2,106 acquisitions were announced, valued at $34 billion, a 54 percent increase over the $22 billion reported in 1977. In 1979 the figures jumped to 2,128 acquisitions valued at $43.5 billion, almost double the 1977 figures.

This dramatic increase in corporate asset-trading is usually explained by the simple fact that many corporate shares are selling below book value. Faced with the alternatives of investing corporate earnings in new plants, equipment, or research (risky propositions whose payoffs are likely to be in the distant future) or undertaking a distribution to shareholders (who would rather pay a low capital gains tax on appreciation of shares than a high income tax on dividends), corporate managers instead see considerable attraction in snapping up profitable, well-run companies with established market positions. They speak of gains from "synergy": the dynamic effects of pooled management upon what were formerly independent firms, making the whole greater than the sum of the parts. They point to the high underlying value of the assets being purchased relative to their price on the stock market.

On closer inspection, some acquiring companies have built houses of cards. The aging plants they purchase may be undervalued in terms of book value, but not in terms of what it will cost to replace them with inflated dollars. And despite all the claims for "synergy," there is very little evidence to suggest that mergers have on the average enhanced the basic profitability of merging enterprises.

But the game of rearranging industrial assets can involve many plays beyond the conglomerate merger. Some are blatantly speculative—somebody wins only to the extent that somebody else loses. Last year, for example, 76 million commodity futures contracts were traded, up from 13.6 million in 1970—a 458-percent gain compared to a 174-percent increase in stock market volume during the same period. Foreign currency contracts and financial futures add to the growing lists of speculative investments. And the frenetic swapping of real estate that preoccupies our upper middle class continues, recession or not.

Other plays are less obviously speculative, more like elaborate Ponzi schemes in which asset-rearranging yields high returns so long as no one calls the bluff. For example, Union Carbide recently increased its first quarter profits by $217.3 million—a healthy jump that added $3.28 to each share of its stock. Yet Carbide accomplished its feat without adding a dollar to its assets. Instead, the company had simply adopted more liberal bookkeeping methods for depreciation, investment tax credits, and certain interest costs. The accounting charges, according to Wall Street analyst Thorton O'glove, "will have no impact on cash flow or distributable income." A whole new field of consultancy has grown up in recent years, "earnings management," which consists almost entirely of such strategic use of accounting conventions—redistributing income from good years to bad, recognizing profits in advance of sales, and similar innovative techniques.

Still other fertile fields of asset-rearranging involve the manipulation of tax laws or international rates of exchange. Silver and treasury bill futures, for example, are often used in a profitable maneuver known as the "tax straddle," in which an investor buys a futures contract and simultaneously sells an identical contract. Since futures trading is a "zero-sum" game, the investor will make money on one of the contracts and lose the same amount of money on the other. No matter. The loss may be deducted immediately, while the profit, if the straddler plays his tax return right, may be deferred indefinitely. His only risk is that the IRS may prove he was trying deliberately to avoid taxes, an unlikely event. Tax straddles and similar strategies are being actively promoted by the "commodities advisory services" that have sprung up recently, and are estimated to net their practitioners about $4 billion a year in unpaid taxes. But they represent only a fraction of the yields available to lawyers, accountants, and financiers who continually discover new loopholes, shelters and gimmicks.

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> An ever larger portion of our economic activity is focused on rearranging industrial assets rather than on increasing their size. Instead of enlarging the economic pie, we are busy reassigning the slices. . . .

Lawsuits are a final form of classic asset-rearranging. Securities fraud, patent infringement, antitrust, product liability—these are the growth fields of American business. But when two corporations, with their platoons of lawyers, grind each other down in court, is any socially useful product created? If you have doubts, you should know that, in the antitrust area alone, $2 billion was spent last year by American corporations engaging in litigation with each other.

'Profits Now'

I do not want to suggest that all efforts directed at rearranging corporate assets are necessarily wasteful. To the extent that they allocate capital more efficiently to where it can be most productive, or smooth out what would otherwise be sudden changes in supply and demand, they make our economy perform better. But given the recent record of speculation and finagle, one must ask whether these benefits are worth what we're paying for them, in terms of both direct cost and future productivity.

Our current obsession with asset-rearranging harms productivity in three related ways:

1. *Short-term payouts*: Improvements in productivity often depend on investment strategies geared to the long term. Research aimed at developing fundamentally new technologies is apt to go slowly, yielding little or no profit for many years. The development of the internal combustion engine, electronics, xerography, and semiconductors each depended on a quarter century or more of trial and error. Commercialization often requires the development of large-scale production facilities, distribution and sales networks, and quality control systems. All this calls for a willingness to invest now for greater return in a distant future.

But asset-rearrangers typically require that investments pay off in the short term, even at the expense of greater yields later on. Not long ago, for example, the majority of stock on our exchanges was owned by individuals. Today, 75 percent of corporate stock is bought and sold by professional portfolio managers of mutual funds, pension funds, and insurance companies. These managers must do more than invest for the future—they must also attract and keep clients. So they are under tremendous pressure to demonstrate the short-term earnings that potential clients look for. In the search for quick profits, they move in and out of large positions with little regard for the strengths of the underlying enterprise. Securities analysts and brokers likewise hope to show profits by correctly guessing the short term fluctuation of price-earnings multiples instead of the long-term potential for growth.

There is a good argument that, even without the intervention of the portfolio managers, stockholders as a group tend to take a relatively short-term view of their investments compared with the value of those investments to society. The reason is simple: If an investor puts $1,000 into an existing enterprise, he may, if his stock performs better than average, get back about $1,500 in five years. Suppose instead he put his money into a research and development company that was trying to

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produce a new product or a new manufacturing method. The benefits to him would be proportionately greater, though they would come at a later date. But the potential benefits to society of this second investment would be *vastly* greater—the creation of an entire new industry, perhaps spawning other products and technologies, establishing thousands of new jobs, and shoring up entire communities. The individual stockholder will not profit from these beneficial "multiplier" effects of his original investment, so he will tend to ignore them, sticking with the safe investment in an existing company that promises "profit now." The portfolio managers, in a sense, merely enable investors to pursue their short-term gains more efficiently.

An exception to this general rule are the stockholders of many small or closely-held enterprises. They tend to be concerned about long-term goals simply because they are closer to their company—involved in its management, familiar with its work force, committed to the product or process they are developing. And they are able to pursue those goals, at the expense of immediate gains, because they are not playing with anyone's money but their own. Not surprisingly such small or closely-held firms, particularly in high-technology industries, account for the lion's share of new ventures, inventions and innovations.

On the management side, the overall picture is similar. The average corporate chief executive may have an even smaller stake in future growth than the average stockholder. By the time he reaches the top, the typical executive may remain with a company only a few more years before retiring or moving to a position with another firm. The average term of office for today's chief executive officers is only four years—and, as one president of a machine tool company said recently, "A chief executive plots his career first and his capital budget second." Even his compensation—in the form of incentive bonuses and stock options—is likely to be geared to short-term earnings.

Indeed, thanks to the high mobility of capital and management, those who have the strongest economic stake in the long-term health of an enterprise are apt to be its lower-level employees, whose mobility is more limited. Employees must live with the consequences of declining long-term productivity within an industry and a region; investors and managers often can bail out long before. It is interesting that in Japan trade unions are among the most vocal advocates of long-term investment strategies that emphasize productivity and growth.

The most obvious example of truncated corporate vision, of course, occurred in 1975, in the aftermath of a recession and an oil crisis, when American automobile manufacturers planned their new product lines. At the time, buyers were climbing back into bigger cars, and small car sales were slumping. But all the long-range trends indicated a growing shortage of fuel and a growing demand for smaller cars. Automakers had the choice: tool up for big cars and make some quick bucks, or tool up for smaller cars and profit over the long run. GM chose to hedge its bets with a modest (though ultimately inadequate) "downsizing" program. But Ford and Chrysler chose to stick with what was selling at the time (Ford even considered advertising itself as the "Home of the Whopper"). When Ford finally brought out "downsized" sedans, they were still on the overweight side and they flopped badly. Of course, by the time the bottom dropped out and Ford began laying off workers by the thousands, the mastermind of its big-car strategy, former Ford president Lee Iacocca, had moved on to better things at Chrysler, where he could give his undivided attention to lobbying for government loans to save a company from the same long-term problems he had left behind at Ford.

If you look at the other industries in which our competitive position is declining relative to that of Japan and West Germany—steel, consumer electronics, semiconductors—you will find the same pattern. The U.S. industries have lower research and development budgets, smaller or less modern plants, lower capacity. You will find a higher incidence of defects in U.S. products, which may reflect a smaller investment in quality control. All this is the result of the short-run balance sheet mentality, which translates into low investment in the research that may produce technological breakthroughs a decade from now, or in the modernized and expanded factories that may reduce costs and improve quality beyond the next turn in the business cycle.

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Energy Crisis

2. *Paper Entrepreneurialism*: Asset-rearranging also harms productivity by using up the energies of our most talented citizens. Instead of product-entrepreneurs, we have spawned a nation of paper-entrepreneurs, who by now embody our most original thinking and energetic wheeling and dealing. Paper entrepreneurialism promises the best financial rewards, the greatest employment security, and the highest social status. The result is a "brain drain" away from innovation in production or distribution.

Today, corporate executives spend an increasing portion of their days fending off takeovers, finding companies to acquire, responding to depositions in lawsuits, and seeking various forms of government largess, instead of worrying about how their products can be made and distributed more efficiently. More of our top corporate executives are now trained in law and finance than in any other field—in contrast to three decades ago when most corporate leaders were trained in marketing, engineering, and sales.

Meanwhile, our best minds are increasingly drawn to the pie-dividing professions of law, finance, and accounting, and away from pie-enlarging professions like engineering and science. While graduate programs in law and accounting are booming, science programs are floundering—again a contrast with other industrialized nations. Out of every 10,000 citizens in Japan, for example, only one is a lawyer and three are accountants. In the U.S., 20 are lawyers and 40 accountants. Out of the same group in Japan, 400 are engineers and scientists; here only 70 are engineers or scientists.

But I'm forgetting something, you say—the recent boom in business school attendance. Surely that reflects a shift toward hard-headed productive values? Don't count on it. The most sought-after jobs among business school graduates are in—you guessed right—finance and consulting, where the specialty is the shuffling of corporate boxes. Positions as special assistants to the heads of diversified companies are particularly prized, because they allow the application of sophisticated portfolio-management techniques (which favor current "profit centers" over long-term innovation). A typical hotshot B-school graduate wouldn't be caught dead supervising production for a steel company, and he's even less likely to try to start his own business. Out of a recent graduating class of 721 at the Harvard Business School, a grand total of seven reported that they had gone on to start ventures of their own. "Independence" to today's business graduate means working for the Boston Consulting Group instead of for GM. There, as the industrial equivalent of a lawyer, he can plot mergers and tax shelters without ever getting his hands dirty actually turning out a product.

3. *Divisiveness*: In an economy based on asset-rearranging, corporations, unions, industries and individuals are pitted against one another in the desperate attempt to obtain a share of a stable or shrinking pie. The circle is a vicious one: as

The MBA Syndrome

The MacNamara generation gave us more than Vietnam. We are now paying the price for giving it the reins of our economy as well. That's the implication of a recent article in the *Harvard Business Review* by Robert Hayes and William Abernathy that has attracted considerable attention. They note that new company presidents "whose primary interests and expertise lie in the financial and legal areas and not in production" are taught by our business schools to value "analytic detachment rather than the insight that comes from 'hands-on' experience," to spend money "servicing existing markets rather than creating new ones," and to rely "on objectively quantifiable short-term criteria"—market surveys, current return on investment—for deciding where to invest. (If we had relied on market surveys in 1945, the authors note, we would have no computer industry, since initial surveys projected world-wide sales of ten units.) Hayes and Abernathy should know, since they are both professors at Harvard Business School, which has specialized in turning out hired-gun managers who care more about computer printouts and Planning-Programming-Budgeting Systems than the products their firms produce.

-The Editors

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the economy begins to decline, each group seeks to preserve its standard of living, but it can do so only by appropriating a portion of the declining wealth of another group. Usually this is accomplished by influencing the government to reslice the pie by subsidy or taxation, but not always.

The catch is that the groups seeking to grab assets from each other are often the very groups whose collaboration is necessary for real growth to occur. The clearest example is in the field of labor-management relations. Here the portion of the pie shared by workers has been declining as inflation has outstripped wage hikes. Trying to recoup, unions demand catch-up raises, only to find that other unions do the same, which produces another round of inflation. And as corporate managers themselves become more militant in the face of declining profits, they are apt to resort to hostile counter-strategies—hiring consultants to "bust" their unions, moving factories to other states or countries. The result is likely to be a breakdown in cooperation between unions and management, possibly including crippling rounds of strikes, that will ensure there will be even less product to spread around. Only when an entire industry faces collapse, as in autos and steel, do labor and management begin to recognize their common interests—and by then it is usually too late.

We are now in the early stages of this cycle. Blue-collar employees are still paying the heaviest price for our decline, followed closely by small business. The industrial Midwest is growing poorer while the Southwest is gaining in wealth. These divisions would not loom so large in an economy that was expanding. But the attempt to restore an expanding economy will only be crippled to the extent that citizens see themselves primarily as members of different warring groups—blue collar or white collar, small business, investor or consumer, Frostbelt or Sunbelt.

A Little Discrimination

How are we to break out of the downward spiral of asset rearranging? It may be tempting to conclude that our problems stem in a simple manner from too many restrictions on free enterprise or on the accumulation of wealth. But our more productive economic competitors, Japan and West Germany, both have governments that are larger and intrude more heavily into the private sector than our own. In both countries, the gap between the richest and poorest citizens is substantially less than it is in our nation.

Instead, we should focus on what sort of enterprise we are encouraging, on *how* individuals are accumulating wealth, and we should take steps to ensure that more of our economic activity is of the asset-expanding variety, and that less effort goes into rearranging.

We could start with the incentives offered by our tax system. As mentioned above, corporations currently have a strong incentive to retain and reinvest their earnings because of two tax breaks built into the structure of our revenue code: First, dividends are taxed as income to shareholders when they are paid out, but if a corporation reinvests, the increase in the value of its stock will only be taxed when the shareholder sells his shares. Second, that increase will be taxed at the lower capital gains rate, while dividends are taxed as ordinary income.

The incentive for management to reinvest that is created by these provisions would be fine if corporations put their money into new productive assets instead of buying up old assets, like other firms. So why not limit the tax breaks to corporate earnings that actually are reinvested in new production, equipment, or research and development? A corporation's earnings could be immediately taxed as income to shareholders (without the capital gains break) unless the earnings were "rolled over" by the corporation into new investment.

The same incentives could be given to individual shareholders themselves, in which case corporations with extra cash could be encouraged to buy back their stock rather than acquire a target company at a premium. That would give the shareholders the benefit of the premium to reinvest at market prices, and free the corporations from the demands of those shareholders most likely to insist on immediate gains.

Likewise, in the other areas where the tax laws currently encourage speculation in old assets, we could be more discriminating, and target the tax breaks to apply only to fresh investments. The most obvious offender here is the congerie of

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loopholes—mortgage interest deductions, homeowner's exemptions and capital gains treatment—that indiscriminately subsidize the trading of existing real estate. Instead, these tax breaks could be given only to those who invest in new buildings, creating the additional housing needed to ease our current shortage.

A second group of reforms would affect the means of financing business ventures. To discourage rearranging, the Federal Reserve could establish guidelines that would make it more costly for banks to provide easy credit for speculation and conglomerate acquisition. To stimulate long-term investment, businesses could be freed from the impatient demands of stockholders through various government incentives that reduced their need to go to the stock market for financing. If you are going to encourage a long-run growth, for example, debt-financing has a great advantage, since as long as a corporation meets its interest payments, it is free to sacrifice short-term profits for long-term productivity. Again, Japan has some lessons for us. The Japanese government's ability to channel investment into very large-scale integrated circuits, for example, has enabled firms in that industry to avoid equity markets and aim for long-term growth.

A final set of changes should focus on the ownership of productive assets. Schemes of employee ownership and participation not only appear to improve productivity over the short term, but they may also improve prospects for long-run growth, since employees typically have a higher stake in the continuing viability of an enterprise than do either managers or investors. And there are a variety of mechanisms for stimulating more of the smaller, privately-held enterprises that are most likely to see new ideas through to fruition. Their owners could be allowed to deduct losses more easily from personal income, and they could be freed from the host of levies—franchise taxes, gross receipts taxes, and social security taxes—that apply in full force whether or not their business has any profits out of which to pay them.

We have seen a variety of quick-fixes for our economic troubles proposed over the years, and more are being offered every day, from across-the-board income tax cuts, to indiscriminate depreciation write-offs, to protectionist tariffs. We have also seen, over the years, that frequently these proposals simply stimulate more asset-rearranging. Accelerated depreciation allowances, for example, may end up giving corporations extra cash to spend on another round of acquisitions. In evaluating the current rash of remedies, we need to look for those that would attack the imbalance of entrepreneurial effort at the core of our economy. We could begin by asking ourselves the question: which strategies will stimulate more paper, and which more product? ■

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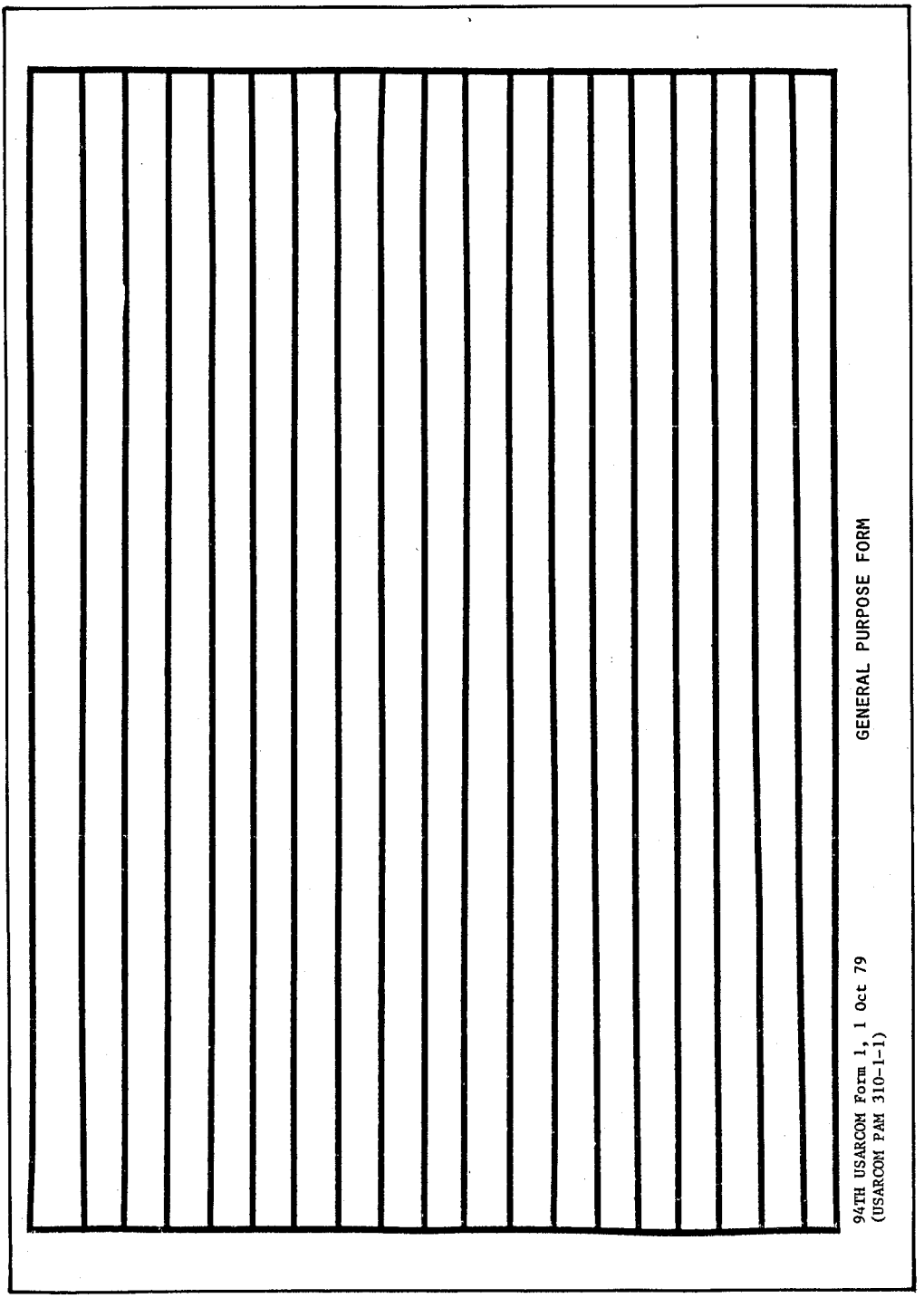

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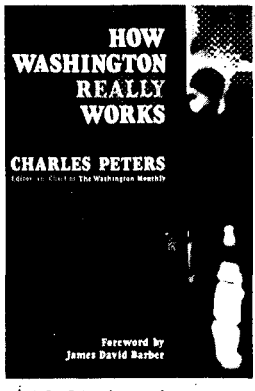

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It's enough to bring tears to 20 million eyes

THE GREAT CONTACT LENS CON

by Eric Black

Every night, millions of people who wear "soft" contact lenses pop the tiny plastic discs out of their bleary eyes and drop them into small basins of disinfectant for the night. The past two years have seen a subtle transformation in this ritual. The inexpensive disinfecting tablets that used to sit on the bathroom shelf are gone. A bottle of pre-mixed solution has replaced them.

This change has cost soft contact wearers about $500 million. The change has also meant instant prosperity for the little-known company that produces the solution, prosperity that could hardly have been expected six years ago when the firm first set out to break into the market. It's the sort of business success you'd read about in *Fortune*—except for the suspicions that began cropping up last spring, which led to the investigations and finally to one of the rare congressional hearings in the past few years that would have been fun to attend.

But let's start at the beginning. . . .

Eric Black is a reporter for The Minneapolis Tribune. *For the past year he has been a legislative aide to Rep. Albert Gore, Jr. as an American Political Science Association Congressional Fellow.*

Contact lenses were developed in the 1940s and are now worn by an estimated 10 million near- and far-sighted Americans. Since 1971, when "soft" contacts (so-called because they are made of softer plastics than other lenses) became available, they have become increasingly popular because for many customers they are more comfortable, more practical, and less trouble than the alternatives. Soft lenses now account for about two thirds of all contact lenses sold.

Although they are not, in common parlance, a food or a drug, soft contacts can be distributed only with a doctor's prescription. As a result, the lenses and the various whatchamajiggers needed to care for them are regulated by the Food and Drug Administration (FDA).

One of the inconveniences of soft contacts is that they must be disinfected every night to avoid accumulation on the lens of bacteria and fungi that can cause serious eye infections. Thus in 1971, when the FDA approved the first soft contact lens, it approved a complete package, including a system for disinfecting the lenses by boiling them in a saline solution. The solution was made by dissolving ordinary salt tablets in distilled water. The lenses and the salt water were then heated up in a little electric gizmo that was sold as part of the package. While the customer slept, the gizmo dis-

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infected, leaving the lenses ready for wear in the morning.

A year's supply of salt tablets and distilled water would cost a typical customer less than $10 a year and, if used according to the directions, appeared to offer a safe and effective method of disinfecting the lenses.

The company that received permission to market the first soft lenses in America (trademark named SOFLENS) was Bausch & Lomb of Rochester, N.Y. Bausch & Lomb was already a giant in the lens industry, and from 1971 to 1974, the company not only enjoyed a lucrative monopoly of the soft lens market, it also was the only firm authorized to sell salt pills for the care of soft lenses.

In April of 1974, Continuous Curve, Inc. of San Diego received FDA approval to sell the Hydrocurve lens, the second soft contact on the market. Instead of using home-mixed salt water to soak, store and disinfect these new lenses, wearers were to boil them in a so-called preserved saline solution, called Boil'n'Soak, which was manufactured by a small Maryland company named Burton-Parsons.

Boil'n'Soak saved users the trouble of dissolving a salt pill in distilled water. It was already salt water, and included preservatives so it didn't have to be mixed fresh every night. All Boil'n'Soak users had to do was put the lenses in the solution in the heating gizmo that was sold as part of the Hydrocurve package.

From a marketing standpoint, Burton-Parsons had a couple of disadvantages in its competition with Bausch & Lomb's salt pills. Its product was approved for use only with Hydrocurve, which had a minority share of the soft lens market. Also, it costs $40 to $100 a year to care for lenses with preserved saline, campared to $10 a year with salt pills.

But, according to industry gossip, Burton-Parsons also had an advantage over the competition: It had a friend at the FDA.

Consumer-Oriented

Actually, two friends. The first was Dr. Arnauld Scafidi who, as the only ophthalmologist in the FDA's Bureau of Anti-Infective Drugs, has been, since 1975, the agency's expert on the safety and effectiveness of products sold for use with soft contacts. The second was Mary Bruch, a microbiologist who had been with the division longer than Scafidi and helped analyze applications for soft contact-related drugs. According to their boss, Dr. J. Richard Crout, director of the FDA's Bureau of Drugs, Scafidi and Bruch had a reputation for being "consumer-oriented, conservative in their safety judgments, highly knowledgeable and competent, hardworking, not easily swayed from their convictions, and honest."

But, Crout would later acknowledge, "because of their personal contacts with friends in certain drug firms, particularly at professional meetings, they may have created an appearance of too close a relationship with industry."

For example, there was Scafidi's relationship with Burton-Parsons official Chet Laufer. Laufer and Scafidi were, in the latter's words, "good personal friends." Scafidi provided free ophthalmic care to Laufer's family and, when Scafidi attended the 1979 convention of the American Academy of Ophthalmology in San Francisco, he stayed in Laufer's hotel room. Scafidi later explained that he had forgotten to make hotel reservations five weeks earlier when he had registered for the convention, and figured that since Burton-Parsons had probably reserved a block of rooms, his friend Laufer might be able to help him out. In addition to Laufer, Scafidi estimated that he considered as many as a dozen Burton-Partons officials his personal friends.

At the same convention, Mary Bruch also stayed in a hotel room that was reserved for her by Burton-Parsons, as she had done at two or three other professional meetings in Las Vegas. In fact, the hotel registry listed her as if she were an employee of the company. Later, Bruch would testify that she didn't know how many times she had been out to dinner with Burton-Parsons employees, but she supposed it was about ten. She added that since she and her friend, Thomas Manfuso, president of Burton-Parsons, both enjoyed good wine, they occasionally exchanged gifts of wine.

Dr. Scafidi had not participated in the initial decision to approve Bausch & Lomb's SOFLENS kit. But in July of 1976

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KATHY GALLIGAN

Dr. Scafidi (second from right) testifies at the hearing. The woman next to him is Mary Bruch.

Scafidi reviewed the existing data on the safety of Bausch & Lomb's device, including the salt pills and other accouterments. He concluded that the clinical data didn't contain anything new or remarkable; that stress should be placed on the proper care of the lenses; and that lens wearers who sky-dive should be advised to wear goggles when doing so. But considering that about two million pairs of lenses had been dispensed during the year under study, Dr. Scafidi felt that the 85 cases of reported eye problems associated with the product should be considered few, and that no detailed analysis was warranted.

Within five months Scafidi's opinion changed dramatically. Bausch and Lomb had applied for approval of a revised soft-lens regimen, including a new disinfecting gizmo. Scafidi and Bruch informed the Bausch & Lomb officials that their new package wouldn't even be considered for use with salt pills. The salt pills were unsafe, the two FDA officials contended. Contact lens wearers couldn't be trusted to follow the directions, and as a result there was a risk of serious eye infections, even blindness. Salt pills, said Bruch, were a "disaster." But if Bausch & Lomb would switch entirely to a preserved saline solution, the FDA regulators implied, its application would be given expedited consideration.

On December 9, 1976, with its application still pending, Bausch & Lomb promised the FDA officials, in a letter, that it would phase out the use of salt tablets, and replace them with a preserved saline solution as soon as one was approved for use with Bausch & Lomb lenses.

True, preserved saline would be four to ten times as expensive as the salt tablets, which Bausch & Lomb still maintained were perfectly safe. But, from the regulators' point of view, the issue was not an economic one. "I cannot always be involved first with costs, then with health," Scafidi would say. "My first responsibility is health. That's what I answer to is health."

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Bruch asserts that her "only concern was the welfare of the consumer who [if allowed to continue using salt tablets] would be exposed to potential risk of serious eye infection and potential loss of eye, based on very good microbiological data." However, because Bausch & Lomb's withdrawal was voluntary, and because Scafidi and Bruch had not attempted to actually revoke FDA approval for salt pills, the agency officials were not required to produce the evidence of eye damage to back up their conviction that the pills were a menace. There was no public announcement of the agreement with Bausch & Lomb; nor were the dangers of the salt pills publicized to the millions of contact wearers who were already using them.

The Race

After the December agreement, Burton-Parsons found itself in an enviable position. Bausch & Lomb was committed to removing from the market the only substitute for Burton-Parsons' product. If Bausch & Lomb wanted to continue selling soft lenses, they would need a preserved saline solution, and the only one approved for use with soft lenses was the one made by Burton-Parsons.

Less than two months later, on January 31, 1977, Burton-Parsons petitioned the FDA for specific approval to have its premixed solution used with Bausch & Lomb's SOFLENS.

But Bausch & Lomb had other ideas. Another large drug company called Allergan had developed a preserved saline solution and would soon apply to the FDA to have its product approved for use with SOFLENS. Furthermore, there were indications that Bausch & Lomb wanted to adopt the Allergan solution for inclusion in its recommended SOFLENS regimen.

Although Bausch & Lomb will not confirm that it was interested in another product, it is clear that the company did not want to adopt the Burton-Parsons solution, because it sent the FDA results of an analysis done in its laboratory which concluded that the Burton-Parsons solution was not compatible with Bausch & Lomb's lenses.

When Bruch saw the Bausch & Lomb lab report, she responded with a memo, the tone of which can only be described as scathing. Bruch characterized some of the results as "disconnected," and the conclusions as "gratuitous." She said the experiment seemed to have been designed just to prove that the Burton-Parsons product was inadequate, and she accused the study of disregarding any indications to the contrary. She concluded that "the techniques used in this study are disgraceful."

Bruch's memo was dated May 10, 1977. Two days later, the FDA notified Burton-Parsons that its solution was approved for use with Bausch & Lomb's lenses, over Bausch & Lomb's objections. Burton-Parsons' application had been granted three-and-a-half months after it was submitted. Allergan's application would be considered for 19-and-a-half months before finally being approved.

Meanwhile, Bausch & Lomb still wasn't making good its promise to remove salt tablets from the market, and the FDA sent it a letter in May of 1978 that basically told the company to quit shilly-shallying.

"Our desire to have preserved saline solutions available as a replacement for salt tablets for Bausch & Lomb lenses has been discussed with you on a number of occasions," the letter said. "Approved preserved saline solution manufacturers have assured us that they now have adequate production capacity to supply the needs of current Bausch & Lomb lens wearers and newly-fitted patients. . . . FDA would appreciate communication from you to develop a schedule with you for the immediate withdrawal of the salt tablets from the marketplace."

The letter didn't mention the name of the approved preserved saline manufacturer that had given the FDA assurances it could handle all the business Bausch & Lomb could throw its way, but there was still only one manufacturer with a solution approved for use with SOFLENS.

Although the FDA letter was signed by David Link, then director of the Bureau of Medical Devices, it was written by Mary Bruch.

The Switch

Three weeks later, Bausch & Lomb finally came around. The company con-

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tinued to assert that its salt tablets were a safe and effective means of caring for soft contacts if used according to the instructions on the label. Nevertheless, in a June 1978 letter, Bausch & Lomb informed the FDA it was prepared to proceed with the removal of the salt pills from the market.

"We have recently completed arrangements with another company for distribution of an approved preserved saline solution under the Bausch & Lomb label," the letter said. "We are satisfied that this particular solution is compatible with our SOFLENS Contact Lens. . . . When distribution of this product in retail outlets is complete, we will discontinue domestic marketing of salt tablets."

Although the letter did not name the company with whom Bausch & Lomb had contracted for the solution, the supplier was the same company whose solution Bausch & Lomb's laboratory had concluded in 1977 was not compatible with SOFLENS: Burton-Parsons.

On October 27, 1978, Bausch & Lomb's vice president for marketing sent a mass mailing to pharmacists and eye doctors announcing that, at the request of the FDA, the company would no longer sell salt tablets for use with its lenses, but that the Bausch & Lomb (Trademark) Sterile, Preserved Saline Solution was available as a replacement.

"Both Bausch & Lomb and the Food and Drug Administration feel a sterile premixed solution is desirable for your patients for a number of reasons," the letter stated.

A few smaller firms were still distributing salt pills, but the FDA ordered them to remove any reference to contact lenses from the labels and to stop distributing them to ophthalmologists, because to do so suggested they could be used with contacts.

Success

Burton-Parsons Company had arrived.

Imagine the day an enterprising car radio manufacturer finds out that General Motors wants to use its radios in all GM cars. Within four years of its entry into the industry, over the objections of a giant manufacturer, Burton-Parsons had advanced to a commanding position in that industry. With its preserved saline solution prescribed as part of the regimen for all Bausch & Lomb soft lenses, its market share soared. Bausch & Lomb's changeover from salt pills was not complete until the winter of 1978, but even so Burton-Parsons sales for the entire year, as measured by wholesale sales to drugstores nationwide, increased by 108 percent. There is every indication that the recent years have seen similar increases.

Not that everyone was happy about the new state of affairs. To a typical consumer, the changeover from salt tablets and distilled water to preserved saline solution was expensive. Considering the growing number of soft-contact users, it is estimated that during the first year and a half after the salt tablets were removed from the market, the extra cost to consumers added up to between $300 and $500 million.

In the months that followed the switch, hundreds of consumers wrote to Bausch & Lomb, to the FDA, and to their congressmen to protest the action. Some complained about the increased costs; some said they didn't believe there was anything wrong with the salt tablets; others complained that they were having irritating eye problems since switching to the preserved saline. The smaller manufacturers of salt tablets were upset as well. The FDA had effectively destroyed an entire market for their product.

One day in the summer of 1979, as this discontent was simmering, Dr. Scafidi sat down with a tape recorder and dictated a report to an organization called the National Registry of Drug-Induced Ocular Side Effects. The registry, as its name implies, is a government-funded clearinghouse to which eye doctors around the country report problems that may have been caused by drugs. Scafidi's recording contained what he said were 196 cases of various corneal infections, some of them very serious, experienced by patients who used salt tablets. The report was noteworthy because cases are ordinarily entered in the registry one at a time, as they occur—and because the registry had not received previous reports of infections associated with the tablets.

It was about this time, too, that the salt-pill controversy began to attract the attention of congressmen and their staffs—

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particularly the staff members of the Oversight Subcommittee of the House Commerce Committee, which has jurisdiction over the FDA. The trail led their inquiries to the FDA's soft-contact experts, Scafidi and Bruch, who assured all parties that salt pills had indeed been a disaster and had exposed users to a risk of serious eye infections. The FDA officials admitted, however, that there had never been a really thorough clinical study done on the question, and that the articles on the subject in ophthalmic journals didn't say that salt tablets were the cause of the problems discussed—but they could be. It was also true that the FDA's own Drug Experience Network, the in-house repository for reports of adverse drug reactions, didn't include any cases of reactions to salt pills.

But that, they explained, was only because Dr. Scafidi had never sent his own agency the 200 cases he had accumulated.

Scafidi told the investigators that for four years he had carried a notebook with him at professional meetings, at the office, and at home. And over that period doctors had told him of almost 200 cases of infections, some of them extremely serious, attributable to the use of salt pills with soft contacts. He had compiled all the cases in the notebook. It was this notebook which was the basis for the 196 cases he had sent in to the National Registry the previous summer. More cases, he noted, were being added all the time as he received reports.

Scafidi's brown spiral notebook, however, struck the subcommittee's investigators as a most unimpressive artifact. It did not contain the names of any of the patients who had suffered the adverse reactions—although Dr. Scafidi explained that he was required by federal law to protect the confidentiality of patients' names, so he never even wrote them down. It didn't list the names of the doctors who had reported the cases, nor could Dr. Scafidi remember any of the names—although he explained that he wasn't very good with names, and that a number of the cases were reported by doctors who wouldn't give their names and who intentionally muffled their voices over the phone so as not to be identified (which Scafidi said was an effort to avoid malpractice suits). The notebook didn't even list the dates on which the cases had occurred, or on which they had been reported—but what difference did the dates make, Dr. Scafidi asked, since he was just trying to keep informal track of the number of cases? In fact, all the notebook contained was single-line entries on each of the cases listing the nature of the infection, whether it was cultured by the doctor, what was prescribed for it, and how the case was resolved.

Susan Leal, a lawyer-investigator for the subcommittee, noticed something else about the notebook. Although Dr. Scafidi had apparently used a number of different colored pens and pencils in making the entries, which seemed to confirm his claim of accumulating the cases over four years, the notebook looked practically new.

So on April 21, and again on May 6 in front of a number of other witnesses, Leal asked Scafidi: Is this the exact notebook you have used for four years? Scafidi said it was. On May 8, the subcommittee staff obtained the notebook and used the serial numbers on the cover to determine when it was made, distributed, and first became available to FDA employees.

The number indicated Dr. Scafidi could not have come into possession of the notebook before March 1, 1979.

With An Explanation

Rep. Albert Gore, Jr., a second-term Democrat from Tennessee and a member of the subcommittee, had already tangled with the FDA on a couple of occasions. When the subcommittee staff told Gore what it had found, he agreed to chair a July 1 hearing on the salt tablet controversy.

At the hearing, Gore asked Scafidi about the notebook. Scafidi replied that he had carried small notebooks with him at all times, and that he used them to record the cases as he learned of them. When questions arose in the fall of 1979 about salt tablet safety, he said, he had transcribed all the small notebooks into the large brown spiral notebook.

Mr. Gore: Of course, you told the staff something different.... You told them that you had compiled the large notebook for a period of four years.... Did you not tell the staff that?

Dr. Scafidi: If I did, I do not remember or they must have misunderstood me.... If that is what I said, I said that, but it certainly is not what I meant to say....

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Mr. Gore: Where are the small notebooks you carried with you from which you transcribed the data?

Dr. Scafidi: In the trash can. . . . Once I accumulated all this data I threw them away. There were beginning to drive me out of the office.

The doctor also could not remember how many small notebooks he had transcribed, could not even estimate whether the number was closer to one or twenty. Nor could he remember when he did the transcribing. Then there was the question of the 20 changes of pens and pencils.

Mr. Gore: You are telling us a story that is impossible for a reasonable person to believe. You're telling us that you compiled three years' worth of reports, given you by doctors who were afraid to give their names, and you didn't get any of the relevant data associated with these reports. Then you took all these small notebooks and sat down and compiled that data in a larger notebook and changed pens every few entries. A reasonable person might conclude that this large notebook was fabricated by you in response to persistent pressure from people who were having to pay too much money for this substitute product, and that you used this fabricated notebook to justify the earlier decision. . . . Is that what you did?

Dr. Scafidi: No.

Rep. Norman Lent of New York, the ranking Republican on the subcommittee, asked Scafidi if he had transcribed the notebooks all at one sitting.

Dr. Scafidi: I don't remember. It just came and went. I just put them together.

Mr. Lent: Yet you used different colored inks?

Dr. Scafidi: Right. I don't check the color. I happen to be a nut on colored pens.

Mr. Gore: Are you a nut on pencils also?

Dr. Scafidi: I most certainly am.

Side-Effects

The preservative used in preserved saline is Thimerosal, a mercury compound. Unfortunately, many customers who were forced by the FDA action to switch from salt pills (with which they had had no problems) to preserved saline have had allergic reactions to the Thimerosal, which so irritates their eyes that they can't wear their contacts. In fact, as many as 20 percent of lens wearers have had this reaction and many of them have had to throw away their lenses because it has proven too difficult to remove all traces of the Thimerosal.

Luckily for these people, two companies, including Burton-Parsons, now make a preservative-free saline solution that is safe for people who are allergic to Thimerosal. Unfortunately, it is the most expensive method of treating soft lenses, costing up to $140 a year in some parts of the country. Bausch & Lomb sells one of these preservative-free solutions under its own name, but it is manufactured by a contractor. A spokesman for Bausch & Lomb declined to reveal the name of the supplier.

The FDA, for its part, is reconsidering its stand against salt pills. Drug director Crout strongly hinted at the hearings that the agency will reverse itself shortly, and approve salt tablets if they are accompanied by more stringent instructions.

Scafidi and Bruch are under investigation by the FDA and by the inspector general of the Department of Health and Human Services for possible violation of conflict-of-interest rules. HHS and the Oversight subcommittee are also investigating for possible perjury.

Meanwhile, the value of the Burton-Parsons Company has continued to grow by virtue of its strategic position in the soft lens solution market. The company was sold last year to Alcon Laboratories of Fort Worth, a subsidiary of Nestle S.A., for an undisclosed sum.

And Bausch & Lomb has swung 100 percent behind the more expensive preserved saline solution. Although it still sells salt tablets to soft-contact wearers in Canada, the company recently sent a letter to pharmacists in the United States that warned of "serious eye problems [that] have been reported" as a result of misuse of salt tablets. The letter urges pharmacists to "check with your malpractice insurance carrier. . . to see if you are personally liable, should an adverse reaction, such as loss of an eye, occur. . . ." A subsequent press release by the company documents the incidence of eye problems: "Recently," the release reads, "the National Registry of Drug-Induced Ocular Side Effects reported that more than 200 cases of corneal infections were seen in patients using salt tablets. . . ." ■

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New Hope for the Hard-Core Rich

Pulling themselves up by their cummerbunds

by Gregg Easterbrook

In these perilous economic times, even the landed gentry and the mighty corporations have trouble keeping themselves in Krugerrands. Consider the brothers Hunt, who inherited several billion, devoted their lives to losing it, and last spring nearly succeeded. Consider the cruel tricks fate has played on Chrysler and on General Public Utilities, owner of Three Mile Island.

It somehow seems unjust that those who acquire great wealth can also lose it. Or at least it seems unjust to the wealthy, who come to the government demanding bail-outs.

The Hunts, for example, got into trouble by engaging in silver speculation. Speculation is the business of risking all to gain a dramatic profit. The Hunts' risk failed, as risks are wont to do. If the brothers had any self-respect, they would have sold off their assets to cover their debts and gotten jobs sweeping up the local Dairy Queen. (Honest work builds character.) But instead, the Hunts called on Paul Volcker, chairman of the Federal Reserve. Volcker, it appears, coerced several banks into bailing out the Hunts via a billion-dollar loan, without so much as Alfred duPont to co-sign. As usual, this bail-out was at the average person's expense, since it increased inflation and absorbed Reserve-supplied funds that otherwise might have gone into productive uses.

What about Chrysler, which floundered by sticking with products like the Nimitz Brougham while every other manufacturer shifted to smaller cars? Chrysler demanded that the taxpayers bankroll its blissful ignorance. And remember that when General Public Utilities entrusted its billion-dollar reactor to engineers who thought they were running a Crock Pot, it wanted consumers to cover the loss. If consumers don't bail us out, GPU said, our stockholders will take a bath. GPU neatly overlooked the fact that by definition stockholders are those who share the profits in return for risking their capital.

Of course the sight of a fallen investment baron, forced to sublease his Mercedes to make ends meet, may tug at the public heartstrings. But there are limits to what taxpayers can do to help. How long, after all, can average working folk afford to subsidize wealthy freeloaders? How much longer can the poor bail out the rich?

The rich should bail each other out. After all, they've got more money than the rest of us. That's why *The Washington Monthly* proposes a Bail Out the Rich Endowment (BORE) to be funded entirely by the well-to-do. By establishing BORE, the government could insure that only those in the 50-percent brackets would be

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sapped to support their incompetent compatriots in the manner to which they so quickly become accustomed.

Under this plan, only the BORE fund, and never the consumer or taxpayer, would be required to replenish wealthy persons or corporations that fumbled away huge sums on foolish ventures, overseas bribes, or felony fines. (Under no circumstances would BORE be used to compensate those who waste money through high living. After all, the tax codes already exist for that purpose.)

How would BORE funds be raised? By taxing those goods and services patronized solely by the wealthy. For example, a surcharge equal to 25 percent of the purchase price would be imposed on: all property that adjoins water; any car that costs more than a house; any object worth more than $10,000 yet small enough to swallow; all products advertised in *The New Yorker*; and any liquids 12 years or older (excluding cafeteria coffee). This 25-percent surcharge would also be imposed on the salaries of those professionals who serve only the rich: tax attorneys, cosmetic surgeons, off-duty Las Vegas dancers, and the Delaware legislature.

This system will not, as you might fear, cause a hardship for those who provide the affected goods and services. By driving up prices, it will make their products more exclusive and hence make the rich more eager to buy. In this way the government can actually stimulate the economy *and* increase tax revenues by skillful over-regulation. (I call this the Last Laffer Curve.)

(continued)

ILLUSTRATION BY LA MOUCHE

a B.O.R.E. officer about to help another needy family....

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According to a complex econometric model constructed by *The Washington Monthly* with the aid of a recently-pardoned Swiss bank official, such a system of surcharges would pump at least $5 billion a year into BORE. This would be enough to bail out the Hunts, Chrysler, and GPU and still have enough left over for a meeting of the Business Roundtable.

BORE would build a tastefully appointed headquarters in Piramidina, Italy, birthplace of Carlo Ponzi. There pleas for bail-outs would be heard by a panel of the supplicant's peers—prep school admissions directors, former SEC officials, and retired oil company executives. To preserve the recipient's dignity, money would be provided through a new category of financial instrument, the ROL, or "repayment-optional loan." Each ROL certificate would be embossed with BORE's emblem, the golden bucket, and emblazoned with the legend, "From each, according to his portfolio, to each, according to whom he knows."

Poor people probably will complain about being denied BORE help. This is understandable. So the poor would have to be made to sympathize with the handicaps to which the rich alone are subject. Those who acquire shameless hordes of money—often after years of intense and even legal efforts—suffer debilitating side effects. They find themselves unable to drive their own cars, place their own calls, or drink wines bottled during their lifetimes. The poor are not plagued by such disabilities. Clearly, society is to blame. The rich deserve special consideration.

Still, some greedy lettuce picker might try to apply for a BORE grant. So how would individuals be screened for BORE eligibility? Obviously, annual income would not be a reliable indicator. After all, an inventor, artist, or hard-working salesman might make $75,000 one year, then never get above the poverty line again. He would *need* money, and thus be ineligible. Only those *used to* money would qualify.

Screening corporations for eligibility would be more complex. Perfectly well-managed companies lose money every day, through no fault of their own. These would be immediately eliminated from consideration. Under BORE, corporations would be bailed out only if they achieved bankruptcy through incompetence, greed, or sloth. For example:

- If they were slow in responding to market conditions—e.g., were still manufacturing a product outlawed in the 19th century;
- If they lacked business acumen—for example, a senior executive had recently tried to bribe a uniformed police officer in full view of television cameramen;
- If they exhibited total disregard for the environment—for example, had spent millions building a disposal pipeline direct from a pesticide plant to a city reservoir.

There would be a final, catch-all category for BORE bail-outs. It would extend largesse to any wealthy person who had improved his financial standing by brazenly insulting the American public. This is not as easy to accomplish as one might immediately suppose. However, it can be done.

The standard would be that set by the Hunts. Last spring, the Hunts were called before Congress to testify about their zany, madcap adventures in silver. They were asked to justify their demand for a bail-out loan. Nelson Bunker Hunt was asked approximately how much money he had left. That is, did he have enough collateral to make good the loan he was demanding? "I don't know," he replied. "Anybody who knows how much he's worth can't be worth very much." Thus he clarified a peculiarity of wealth that is difficult for the common man to appreciate. During round-the-clock negotiations for a high-risk billion-dollar loan, no banker had asked him, even in passing, how much he was worth.

Then W. Herbert Hunt informed the hearing that he never knew his family was buying silver. "I look after my own investments," he said. "I do not stay apprised of what my brothers own." This brought to light one of life's delightful bits of kismet. Working in the same building, the Hunts had pursued identical strategies in a small field for seven years entirely by coincidence.

For this soul-baring confession, the Hunts were rewarded with their bail-out loan, and permission to resume silver speculating. Surely this qualifies them for indefinite BORE subsidies. In keeping with the protocol of the rich, however, formal BORE regulations would not require those seeking bail-outs to tell colossal lies to Congress in person. They could hire lawyers to do it for them. ■

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The Persecution & Assassination of Robert Griffin As Performed by Members of the Washington Press Corps

by Jeb Byrne

Early this year, Robert T. Griffin retired from government service. The name probably sounds familiar to you. A couple of years ago, Griffin was abruptly sacked as deputy administrator of the General Services Administration. That was in July 1978, at the height of the GSA corruption scandals. Jay Solomon, the man designated by Jimmy Carter to run GSA, decided he had to get rid of Griffin—a career GSA bureaucrat—because it seemed clear to Solomon that Griffin commanded the loyalties of too many people in the agency, and Solomon couldn't get control of GSA as long as Griffin was around.

That was just the beginning of a classic Washington flap, as you may recall. No sooner had Griffin hit the sidewalk than Tip O'Neill hit the ceiling. The way it was reported, Griffin and the Speaker of the House were old cronies, and O'Neill was outraged—reacting, as one reporter put it, "with the same protective tenderness that a grizzly bear might show a favorite cub." There were hasty consultations with the White House, and soon, at President Carter's personal direction, Robert Griffin was given a $50,000-a-year job as special assistant to Robert Strauss, then serving as Carter's special trade negotiator. When Strauss switched jobs, becoming Carter's special representative to the Middle East negotiations, Griffin went along. Then, when Strauss left that post to become chairman of Carter's reelection campaign, Griffin opted not to follow—choosing instead to leave government at the age of 63 for a high-paying job at Chrysler.

As reported, that's the sequence. And if you remember Robert Griffin's name now, it's because each of these developments triggered another round of news stories. Many of them, recapitulating the details of Griffin's departure from GSA, were replete with what Roger L'Estrange, a 17th-century licenser of the English press, once called "convenient Hints and Touches." The consistent impression which these stories sought to convey was clear enough: here is another chapter in the sorry tale of a political hack, probably venal, who blocked the efforts of a good guy trying to clean up corruption in the General Services Administration. It was pretty believable stuff—if you didn't know any better.

Jeb Byrne was a wire service reporter for ten years before joining the General Services Administration in 1961. He is now on the staff of the National Archives.

Beat the Doldrums

I knew better, because I worked for Robert Griffin twice, first as his deputy from 1961 to 1968, when he was assistant

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administrator of GSA with responsibility for congressional relations, public information, and business services, and second as his executive assistant from 1977 to 1978, when he was GSA's acting administrator for a few months at the start of the Carter administration and then deputy administrator until his departure from the agency. Thus I make no claim to being a disinterested observer, but I do claim to know something about Robert Griffin. I knew him as a man of competence and integrity, and so I was startled—at first—by the image of him that began to be shaped by the news media in the aftermath of his dismissal.

My surprise began to fade when I realized that Griffin was being cast as the foil for Jay Solomon, who was remarkably accessible to certain reporters and seemed to have a knack for Hints and Touches. Griffin was at a disadvantage. In point of fact, he had launched an investigation of fraud at GSA before Solomon ever appeared on the scene. He wasn't disposed to talk to reporters about it—but even if he had been, he couldn't have done so without violating explicit requests by the Department of Justice and the FBI to keep the probe quiet while suspects were being identified and watched. Griffin honored the requests; after word of the investigation began to leak, it was Solomon who started talking about it. He talked not only of the corruption being unearthed at GSA, but also of the difficulties he said he was having with Griffin.

Griffin heard rumors that Solomon was unhappy with him, but he discounted them, because face-to-face Solomon was always pleasant enough. For his part, Griffin could be blunt and straightforward—he was never insubordinate, but he was never shy about expressing his views. If there was a real personality conflict between the two men, Griffin didn't make much of it: the firing caught him by surprise.

Given the timing, it wasn't difficult for reporters to link his departure to the emerging GSA scandal. The Bad Guy role so easily assigned to him didn't fit the man, but that seemed to be irrelevant to many of those who were pursuing—or anxious to comment upon—a story that helped relieve Washington's summer doldrums. He was, in short, a means to an end, a quick and easy way to define a story that was otherwise difficult and puzzling. Of such needs are news myths born.

The logical place to start looking for the origin of the myth is in the pile of stories from *The Washington Post*. The *Post* carried the "insider" coverage that set the initial pace and tone for other media to improvise upon as best they could. This was principally through the efforts of *Post* reporter Ronald Kessler, who had made GSA his beat and was closer to events there than most other reporters. It's no secret that he was closer to Jay Solomon, too. They met frequently, sometimes for lunch, and it was Kessler who telephoned Griffin one afternoon with the news that Solomon was about to fire him.

In his stories, Kessler did mention that Griffin was known as "an effective and well-informed administrator," and that Griffin had alerted Solomon to the discovery of corruption in GSA. Technically, perhaps, this satisfied someone's criterion for balanced coverage—but the even-handed words about Griffin seldom seemed to appear anywhere near the beginning of a story. They were more likely to be found somewhere back on page 14, deep in the carry-over copy where many readers never venture. In his accounts, moreover, Kessler never fully explained the role that Griffin played in starting and directing GSA's internal investigation—before it became a media extravaganza and the subject of congressional hearings, before Solomon became GSA administrator, and long before Kessler (whose first story on the GSA investigation appeared in the *Post* on March 3, 1978) had discovered that an investigation was in progress.

It was in late 1976 that Griffin, then a special assistant to the GSA administrator, received an internal memorandum alerting him to phony billings in the Chicago region. In that instance, as it turned out, a GSA employee had cooked up a scheme whereby he received payments made to a nonexistent building services company—he used a post office box as its address—for work never performed. Griffin launched an investigation into the possibility of similar fraud elsewhere, and followed up with special audits in all GSA regional offices.

GSA is a federal conglomerate; its procurement activities range from the purchase of paperclips and motor oil to the

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construction and leasing of skyscrapers. GSA houses much of the federal bureaucracy in 10,000 building locations, supplies its needs, disposes of its surplus property, paves its parking lots and fills its gas tanks. GSA's administration is as complicated as that of any *Fortune* "500" company, and that complexity offers practically endless opportunities for low-level fraud. The Chicago case was one example that came to light. There were others. Some building managers, who had authority to award contracts for routine repairs and improvements, were found to be on the take. Some managers of GSA-operated self-service stores—where other agencies came for their office supplies—were found to be in cahoots with suppliers.

Griffin knew that GSA, growing over the years along with the growth of the federal apparatus it serves, could stand much improvement in managerial controls. During the few months when he was actually in a position to do something about those controls, he peppered GSA offices with orders for special audits, reviews of disbursement records, improved procedures for monitoring purchasing, better systems of vendor identification, and coordination of procedures from region to region. He sent investigators and auditors burrowing into dark corners and personally went to the Office of Management and Budget to argue—successfully—for more auditors. He shuffled officials around, sending them to areas outside their own to gather information about possible fraud, and this information was regularly passed on to the FBI, leading to the 79 indictments and convictions that have since resulted. He had as many as 150 people within the agency working on the investigation under his direction.

In hindsight, which is always the preferred perspective, it's possible to argue that Griffin might have been an even more aggressive administrative reformer. But the problem with that argument is that it gets all tangled up in comparative imagery. Although Jay Solomon had no prior experience in administering a large bureaucracy—he was a Chattanooga-based builder of shopping centers who was an early supporter of Jimmy Carter during the 1976 campaign—the press treated him as though he was the first person ever to walk through GSA's front door carrying a broom. The facts don't square with that. When Solomon became administrator at the end of April 1977, Griffin told him about the malfeasance that had been discovered within the agency and explained what was being done to cope with it. Solomon, who was initially more interested in the agency's Art-in-Architecture program—which was to involve him in a heavy schedule of dedication ceremonies across the country—told Griffin to press ahead. As the summer of 1977 wore on, new revelations came to light, and Griffin kept Solomon posted on them.

It wasn't until the end of the year that Solomon began shifting his focus away from art and more in the direction of the investigations. Soon thereafter, he began telling Kessler what was happening and what he planned to do about it. Griffin, by that time, had spent more than a year thinking up and carrying out substantive changes. When you chop your way through the media imagery, you come to the stark fact that no one, to this day, has shown that Griffin did that job inadequately or unethically, and the Justice Department has long since concluded that he was not personally involved in any way in the corruption at GSA.

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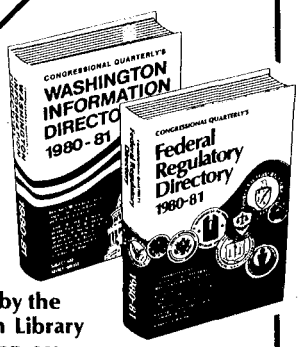

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But in the excitement at the end of July 1978 over Solomon's firing of Griffin and its repercussions on the relationship between Speaker O'Neill and President Carter, Griffin's proper place in the investigation was overlooked, ignored, mentioned in passing, or turned upside down in the news media. In the *Post,* for instance, in addition to the series of pieces by Kessler on the Griffin firing, there was a noteworthy editorial cartoon by Herblock. This shows Griffin being booted out of GSA by a foot and leg labeled "clean-up"—an interpretation that even Solomon had not placed on the firing.

On the following day, July 31, the *Post* ran an editorial which asserted that Griffin "personified 'business as usual' at GSA," a characterization that entirely ignored his role in the investigation. On August 4, the *Post* ran a story on Griffin's new job with Robert Strauss. The headline emphasized that the new job entailed "$50,000 Yearly for O'Neill's Friend"—ignoring the fact that this was the same salary Griffin had been making at GSA. (*The Boston Herald-American* improved on the *Post* with its headline: "$50,000 Plum for O'Neill Pal.")

It does not seem unreasonable to conclude that the way in which the *Post* handled the Griffin story was reflected back in a group of letters-to-the-editor published on August 9. *Post* readers perceived Griffin as an incompetent hack whose sole claim to a responsible position in government was his friendship with a powerful politician.

The *Post* didn't go out of its way to correct that impression. During his televised press conference of August 17, 1978, President Carter remarked that he knew of nothing more distorted than the press coverage of the Griffin firing. "Griffin was not fired because he was incompetent," Carter said. "He was not fired because there was any allegation about his honesty and integrity. He was moved from the General Services Administration because he was incompatible with the director. . . . I have no apology to make for having put a good man with great integrity and great knowledge in a productive job."

I was curious to find no mention of these remarks in the *Post* the next day. I telephoned *Post* editor Richard Harwood, identified myself as Griffin's former aide, and asked about the omission. He said he would look into it. The next day—a Saturday—the *Post* carried a four-paragraph story under the headline "Carter Says Press Distorted Removal of GSA Aide Griffin."

Television's talent for simplification adapted itself easily to the Griffin story. An NBC news team visited Griffin at his suburban Washington home on the afternoon of August 4, 1978, and he talked at length, explaining his side of the story. Almost all of his words wound up on the cutting room floor, and on the news that night, David Brinkley summarized: "Powerful politicians in Washington expect their friends to be taken care of—and certainly not fired. So the President gave Griffin another job, newly created for him at $50,000 a year." Then NBC ran an interview with David Cohen, president of Common Cause, who said, "It looks like politics as usual, buckling under to political power, saying the person's incompetent to run one major agency and then placing him in a high White House position where he's not really subject to any kind of review by legislative bodies." The accuracy of David Cohen's statement wasn't subject to any kind of review either. Griffin's competence had not been questioned, but nobody at NBC brought this to Cohen's—or the viewing public's—attention. This was the first and last time that Griffin let a TV camera into his home.

Ol' Tip and Ol' Bob

The words "crony" and "cronyism" keep occurring as you thumb through the newsclips and transcripts of the Griffin story. Here it helps to understand the way the rules apply to this kind of loaded shorthand. Politicians of the old school like Tip O'Neill have *cronies.* John Gardner and Theodore Hesburgh have *colleagues* and *associates.* It's a distinction that's important in Washington. And the label, once applied to Griffin, stuck like epoxy. Don Campbell of the Gannett News Service, for example, was early into this easy name-calling game. His story appearing in *The Nashville Banner* of July 31, 1978 is typical. There is a line which says simply that Robert Griffin is "a crony of House Speaker Thomas P. O'Neill. . . ." In this, and similar declarations, there is no hint

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that the two men might actually have had some mutual respect for each other as old veterans of the governmental wars. True enough, they had known each other since the days of their youth in Somerville, Massachusetts. Griffin has been close to politics for a long time—he worked in John F. Kennedy's first congressional election campaign, back in 1946—and knows his way around, but once upon a time that fact would not have stigmatized him. In much of the reporting, there was no indication that Griffin had performed well in every post he had held (even Jay Solomon had rated him outstanding). Nope. Just a crony. Presumably you could find Bob and Tip sitting around the local Safeway in their wool shirts, spitting into the cracker barrel. Editorial writers, too, got into the epithet game. Two days after *The New York Times* printed a "Man in the News" item with a complimentary assessment of Robert Griffin's federal career, an August 6, 1978 *Times* editorial was complaining about "cronyism" in the Griffin affair.

In the capital, *The Washington Star* had been trying to play catch-up ball on the Griffin story, but the Jay Solomon-Ronald Kessler link was a problem. The *Star*'s acerbic editorial cartoonist, Pat Oliphant, got into the action with a drawing of a pudgy bureaucrat dozing at his desk while his "in" basket swelled, musing about civil service reform and concluding that "I better buy Ol' Tip O'Neill a three-martini lunch." (If the drawing was supposed to represent Griffin, ol' Ollie was off the mark. Griffin is a lean 6'4" and doesn't drink. He used to eat at his desk, but I never saw him sleeping there.)

Reporters Mary Ann Kuhn and Lyle Denniston at the *Star* began catching pop flies, spurned by Kessler, from a source or sources at GSA. One of the ensuing front-page stories by the *Star* duo had the intriguing headline: "Missing Files of Ousted GSA Official Turn Up." Beneath the head was a leaked story which was supposed to disclose that Griffin's files had been missing for seven weeks after he had left. This was an odd construction to place upon a sequence of events with which I was very familiar. Griffin had left the building without his personal papers. Members of his staff were ordered out of their offices

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the following week, with instructions to take all his and their records and belongings with them. A staff request that one small office be retained in which to store the records temporarily was rejected. These papers, however, were not extensive. It is standard practice that originating offices which forward correspondence and other documents to the front office keep the official files. When the *Star* story was published, the records were sitting in cardboard boxes in the offices of former members of Griffin's staff, awaiting disposition. Missing? You could have tripped over them.

One of Solomon's aides was quoted in the *Star* as saying that Griffin's staff offices remained locked for two weeks, and when they were opened, "We found that his offices were just totally empty: no people, no paper, no files—zip." It's probably a good thing that no people were found in offices that allegedly had been locked for 14 days. The fact was, however, that Solomon's staff had keys to our offices; we had given them the keys.

Alto Solo

There was another flurry about records when Solomon decided that GSA should keep Griffin's appointment calendar and telephone logs. The agency's own lawyers and recordkeepers had informed the administrator that these were considered private property by GSA. When Solomon proposed to confiscate them anyhow, Griffin threatened suit. All this was dutifully, and ominously, chronicled in the news media. Having been subjected to strange harassments by GSA since his departure, such as the contrived stories about the "missing" records, Griffin preferred to let the Department of Justice take any part of his records which it might want. A meeting was held and this was done, without difficulty.

A news coup of a sort was achieved when a memorandum written to Solomon by Vincent Alto, the short-term special counsel Solomon hired in May 1978 to take over supervision of the investigation, began circulating and quickly reached the press. Ostensibly this was a private document, but more copies were floating around than balloons at the circus. The memo dusted off an old allegation by a personnel officer who claimed he had been harassed out of the agency by Griffin (then in a staff position) when the personnel officer would not go along with the supposed downgrading of an investigator. This was a charge which had been heard and rejected by a civil service administrative judge—but it made good copy. *Time* ran a story about it, leaving the clear impression that the allegations were fact, and reinforcing that impression with a cartoon showing a man with a small net trying to catch a big fish. This treatment met what Peter Braestrup has described in his *Big Story* as the criteria for news magazine writing: "... to avoid ambiguities and complexities [and] to fashion a clear story with a beginning, middle, and snappy close." By the date of the *Time* story, *The Washington Star* had been purchased by Time, Inc. The *Star* picked up the *Time* story for its front page.

With such doings afoot, you could expect to hear from Jack Anderson. An Anderson column appeared on December 18, 1978, characterizing Griffin as having "such high connections that when he stubs his toe, Tip O'Neill howls and President Carter applies the bandage." Anderson went on to rehash several allegations about Griffin. One was the business about the personnel officer, which did not mention the rejection of the charge by the civil service judge. Another concerned Griffin's refusal to give Solomon carte blanche with his papers. The column did not mention that Griffin let the Department of Justice review the records and papers and take what it wanted. Still another Anderson allegation was: "Griffin has been on the GSA payroll since the agency was created in 1949. He has been responsible for property management since 1961. More than any other individual, he should have detected the long-festering corruption. The investigators want to know why he failed to take corrective action."

In fact, Griffin's one property management job in GSA occurred in 1969-72, when he was in charge of the depots in which materials of the National Stockpile are stored. The only time he had substantive responsibility for GSA property management was when he became acting administrator and then deputy administrator in early 1977—the period during which he got the investigation rolling.

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Exit 'Good Guy'

On January 21, 1979, there was a front-page story in the *Post*, written by Martin Schram, which said that the White House was seeking a replacement for Solomon. Dissatisfaction with the way Solomon was playing the media was cited, and Schram quoted one official complaining: "He wants credit for everything. And he equates spending time with him with combating corruption." Solomon was gone by the end of March.

There were two other stories in the press at about this time which did not fit the generally accepted mold, but which I have not seen referred to since. One, a March 30, 1979 story by James P. Herzog of Scripps-Howard, started out this way:

"Outgoing General Services Administrator Jay Solomon says 1,000 names have been turned over to the Justice Department for possible prosecution. But William S. Lynch, head of the Justice Department task force investigating the scandal-ridden GSA, calls the statement 'baloney. . . . a figment of Mr. Solomon's imagination. . . .'"

The second piece was in the April 1, 1979 "Outlook" section of the Sunday *Washington Post*. Written by Chuck Lewis of ABC, the report said, among other things, that "the constant hyping and ballyhooing of the Gigantic GSA Scandal makes one wonder where the real truth lies. . . .

"Despite the collective efforts of hundreds of officials, it was Solomon who received the lion's share of attention. The shrewd Chattanoogan carefully cultivated the media as no other GSA administrator—or few public officials, for that matter—ever has. . . .

"To many rank-and-file GSA employees, Solomon's headline-grabbing crusade against corruption, combined with his lack of attention to the large agency's daily management, was appalling. . . ."

Despite these reassessments of the Solomon-Griffin situation, Griffin kept on getting a bad press. In early 1979 a local Washington television reporter, Stan Bernard, was still floating dark innuendos. A Channel 4 (NBC) transcript for March 1, 1979 has Bernard ending his 6 p.m. stint with the words, "Jay Solomon is wondering who he made nervous when he fired Robert Griffin and started the investigation into the million- and billion-dollar deals that go through GSA."

The Griffin story faded during the summer of 1979. But a refurbished piece on the GSA investigation appeared in the September *Reader's Digest*, signed by Carl T. Rowan and David M. Mazie. "Spurred by revelations in the press, and by grand-jury investigations in Washington and Baltimore," it says, "Solomon launched an all-out inquiry." Robert Griffin is mentioned under the familiar rubric of "political cronyism."

By early 1980 the Washington dailies were no longer catching fungoes from the usual batters at GSA, but a pair of reporters from the wire services suddenly were out there shagging. In January, Bob Parry of Associated Press and Donald Lambro of United Press International had the good fortune to discover simultaneously that last fall, they said, a man who did business with GSA had alleged bribe-taking by a GSA official who, as Lambro put it, was a "long-time associate" of Robert Griffin, and in Parry's various versions was "considered" at GSA to be a "close associate" and "a satellite" of Griffin. Griffin did know the man. That much was true. But the stories never explained who was doing the "considering" or how the "satellite" relationship was supposed to work between these "close associates." In due course, the stories stopped, but the connotations lingered on. I wonder how Joe McCarthy—not the old Yankees manager, but that other one—could have improved on this kind of coverage.

The next chapter in the chronicling of the life and times of Robert Griffin by the news media concerned his retirement from government. Parry and Lambro had him leaving "quietly." Parry used the occasion to recirculate the "satellite" innuendo offered by his ubiquitous but unidentified "GSA source."

In reporting that Griffin had gone to work for Chrysler, *The Miami Herald* referred to him as "the scandal-freighted former deputy chief of the General Services Administration." Jerry Knight, in *The Washington Post*'s business section, wrote that Jay Solomon had claimed that Griffin "blocked investigations of corruption" at GSA. An unsigned story in *The Detroit News* said the same thing. I'm not aware of any statement by Solomon to that effect,

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although it would be hard to track down everything he ever said about the GSA investigation. Jack Anderson and *The Washington Monthly* didn't bother with attribution. Anderson told his Mutual Broadcasting System radio audience on March 12 that Griffin "was fired from [GSA] because he refused to cooperate with the probe into corrupt purchases by the agency." *The Washington Monthly* managed the neat trick of throwing Griffin a bouquet and a brickbat at the same time. In its April issue this magazine reported, correctly, that while working for Strauss, he had been "instrumental in selling the multilateral trade bill to Congress" but claimed he had done so by using "the same bureaucratic skills he had honed while covering up the GSA scandals."

Why didn't Griffin ever hold a press conference or take some other dramatic step to explain his side of the story? Well, in the early days Griffin did talk to some reporters who contacted him, including Kessler of the *Post*, with the results I have described. Kessler's stories, I think it is fair to say, were careful not to tie Griffin to any of the corruption at GSA. It was what he didn't write that hurt. But Griffin learned that the further reporters from other organizations were from the story, the more likely they were to accept, at face value, whatever misstatements and innuendos they heard from within GSA. Experience quickly demonstrated that responding to loaded inquiries made little sense. At first Griffin talked freely to reporters when they called him at home after his dismissal, but when he read their stories he concluded that he might as well have tried saying nice things about the Queen in an Irish bar. So he made himself unavailable to the news media. Some of us tried to speak out on his behalf, but it didn't work any better. I went to the *Post* and complained to Charles Seib, then the newspaper's ombudsman. We had a long talk, but nothing ever appeared in the paper about the issues I raised. And one afternoon I went with another of Griffin's aides to visit Jack Anderson's office when we learned about the impending December 1978 column. But when we got there, he told us the column was already on its way to his syndicate. We did learn that Clark Mollenhoff had been the staff reporter on the story. Recently I ran across a new book, a collection of Mollenhoff's stories. I found a section on GSA/Solomon/Griffin which is just as wrongheaded as when it was a newspaper column. But now it has cloth boards around it.

Romantic Fiction

In the library the other day I ran across two old Washington hands who gave me sage advice about what to do with reports from the capital written by newsmen who are not above substituting fancy for fact to spruce up their products. Ignore such newsmongering, said Joseph Gales and William Seaton, "unless it be of too grave character to let it pass."

This counsel from co-editors Gales and Seaton appears in the April 7, 1849 edition of their *Daily National Intelligencer,* an influential Washington paper of the day. Unfortunately, the problem they addressed 131 years ago still troubles us. To me, the treatment of Robert Griffin is of very grave character. I think a congeries of news people, for reasons ranging from bad to worse, have inflicted casual mayhem on Robert Griffin's good name. It was easy, of course, to translate the complexities of maladministration at GSA into a Good Guy vs. Bad Guy story, but easiness isn't supposed to be the banner around which diligent reporters rally. There is, admittedly, nothing much more seductive than a good corruption story, but in the absence of professionalism, readers will get nothing more than—as Walter Lippmann once put it—"a species of romantic fiction which they can get much better out of the movies."

I don't claim that all is lost. Gales and Seaton of *The Daily National Intelligencer,* struggling with the same problem in 1849, managed to find a ray of hope only a few years later. In their edition of March 23, 1853 they observed:

"Washington correspondence, as a general thing, is falling into discredit, and very naturally so; but while many of the writers are too careless about accuracy, or content with mere gossip, others are better informed, or more scrupulous, and are therefore as reliable as restricted access to authentic sources of information enables them to be."

That kind of reporting is all we can hope for. On the Griffin story over the past two years, it would have sufficed. ■

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Who's Who in the Administration

When **Alfred Moses** went to work in the White House, few who knew him expected that he would be content with a liaison role as House Jew, and indeed Moses has escaped from that ghetto and seems on his way to rivaling White House counsel **Lloyd Cutler** in importance among the President's lawyers.... But Moses may have planted a time bomb for himself in early August, when he apparently leaked word to Martin Schram of *The Washinton Post* that he was "startled" upon discovering that the President had mailed an innocuous cable to his brother Billy. No President appreciates a staff member who is more concerned with disassociating himself from a potential scandal than arguing that there is no scandal at all—which there wasn't, in this case.... Of course, the Schram leak could have come from a Svengali on Cutler's staff, or an idiot on Moses's.... Or maybe it was just Schram, who had overplayed the significance of the cables in an earlier article and seemed to be desperately trying to justify the air of scandal.... At the State Department, if you want to reach Edmund Muskie, the people to see are **Leon Billings**, his executive assistant, **Robert Rose**, one of his special assistants, **Berl Bernhard**, a Washington lawyer or **Carole Parmalee**, the Secretary's secretary....

In

WHITE HOUSE

Associate Director for National Security and International Affairs, OMB—**Edward G. Sanders** has been deputy associate director.

Assistant to the Director for Public Affairs, OMB—**Robert J. Havel** has been director of the Justice Department's public affairs office.

HEALTH AND HUMAN SERVICES

Director, Office for Civil Rights—**Sylvia Drew Irie** has been Director of the National Health Law Program in Santa Monica, California.

INTERIOR

Assistant Secretary for Indian Affairs—**Thomas W. Fredericks** has been an attorney for the Native American Rights Fund.

TRANSPORTATION

Administrator, Federal Highway Administration—**John S. Massel, Jr.**, who has been deputy administrator, succeeds Karl S. Bowers, who has been sentenced to five years in prison in connection with a South Carolina real estate scheme.

TREASURY

Counselor to the Secretary—**Peter J. Solomon** has been New York City's deputy mayor for economic policy.

STATE

Ambassador to Malaysia—**Barbara M. Watson** has been Assistant Secretary of State for Consular Affairs.

Ambassador to Mauritania—**Henry Precht** has been director for Iranian affairs at the State Department.

Ambassador to Senegal—**Walter C. Carrington** has been executive vice-president of the African American Institute in New York.

Ambassador to Paraguay—**Lyle F. Lane** has been ambassador to Uruguay.

Ambassador to Uruguay—**Robert S. Gershenson** has been Deputy Assistant Secretary of State for Personnel.

AGENCIES AND COMMISSIONS

Administrative Conference of the U.S.
Chairman—**Reuben B. Robertson III** has been director of the Civil Aeronautics Board's Consumer Protection Bureau.

Federal Trade Commission
Director, Bureau of Competition—**E. Perry Johnson** has been the bureau's deputy director.

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Immigration and Naturalization Service
Director—**Matt Garcia** has been a member of the Texas House of Representatives.

National Science Foundation
Director—**John B. Slaughter** has been vice president and provost of Washington State University.

Nuclear Regulatory Commission
Chairman—**Albert Carnesale** has been a professor of government and associate director of the Center for Science and International Affairs at Harvard.

Securities and Exchange Commission
Commissioner—**Barbara S. Thomas** has been a partner in a New York law firm.

Out

White House
Deputy Assistant to the President for Women's Concerns—**Linda Tarr-Whelan** will be executive assistant to the executive director of the National Education Association.

Agriculture
Assistant Secretary for Conservation, Research and Education—**M. Rupert Cutler** will be vice president of the National Audubon Society.

Health and Human Services
Director, Office for Civil Rights—**Roma J. Stewart** has resigned.

Agencies and Commissions

Export-Import Bank of the U.S.
Vice President for Public Affairs—**Griff Ellison** will found his own public relations firm, the Rocky Mountain Energy and Trade Group, in Boulder, Colorado.

Federal Trade Commission
General Counsel—**Michael N. Sohn** will return to the law firm of Arnold and Porter.

Food and Drug Administration
Director, Bureau of Drugs—**Dr. J. Richard Crout** has submitted his resignation.

Interstate Commerce Commission
Director, Bureau of Investigations and Enforcement—**Peter M. Shannon, Jr.** will form a Washington, D.C. law firm specializing in federal regulatory matters.

National Science Foundation
Director—**Dr. Richard Atkinson** will be chancellor of the University of California at San Diego.

U.S. Postal Service
Deputy Postmaster General—**James V.P. Conway** has retired.

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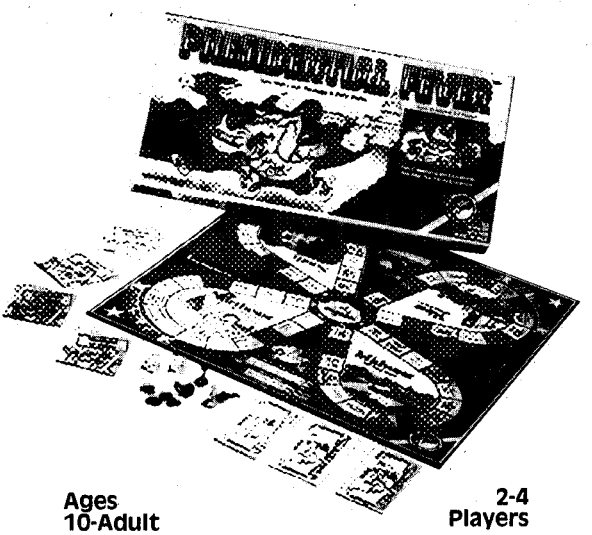

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Praise reform and pass the bonuses

The Joy of SES

by Leonard Reed

Nothing was more made-to-order for the Carter administration, coming to office wearing the togs of Honest Outsiders, than the reform of the massive and lethargic bureaucracy that had become the focal point of public discontent with the government. Not surprisingly, then, the administration gave high priority and heavy publicity to the legislation that came to be known as the Civil Service Reform Act of 1978. The centerpiece of the act was the establishment of the Senior Executive Service, a system hailed as promoting more efficient and responsive government by rewarding its top executives for good performance and penalizing them for inferior work.

The concept, as billboarded, has a certain appeal: a well-paid, elite corps drawn from the top three ranks of the career civil service—grades 16, 17, and 18—and two sub-cabinet political ranks. (SES itself is gradeless—that is, salary and career status are personal, not affected by the position one occupies.)

The idea is—or as it turns out, was—to give the government maximum flexibility. Executives, instead of having a life-long identification with a single agency, with all the attendant petrification, would be moved from agency to agency to suit the needs of the broader government. The government would be able to attract the best outside talent by offering good salaries to all and some wing-ding bonuses for outstanding achievers. Conversely, the system would provide for weeding out the clods. To insure against the new flexibility being used for political hanky-panky, political (or "non-career") appointments were limited to ten percent of the SES total.

Enlistment in SES was voluntary. But the word was out that those officials who didn't sign up would limit their potential for advancement. The government's top bureaucrats, it appeared, were being put between the rock and the hard place. The penalties and risks involved for those who took the leap were emphasized by an administration anxious to demonstrate to the public its determination to bring the bureaucracy to heel. In Washington itself, where even presidents tread softly on the sensibilities of the bureaucracy, Mr. Carter

Leonard Reed is a contributing editor of The Washington Monthly.

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put it this way: "Top federal workers," he said, "are ready and willing to respond to the risks and rewards of competitive life. . . ."

The impression grew—one might say it was assiduously cultivated—that in exchange for the promise of reward for outstanding performance, the senior executives of government would be giving up the job security that had always been the hallmark of federal service. They would be laying their jobs on the line and, like business executives, standing or falling on the basis of their scorecards. So the official line went, and the newspapers dutifully hailed the new era of "high risk, high reward," as the SES plan is customarily captioned. Indeed, the early predictions were that, since joining SES was voluntary, fewer than half of those eligible would be induced to volunteer for what *The Washington Post*'s civil service reporter Mike Causey dubbed "potentially hazardous duty." The Office of Personnel Management struck a more optimistic note: Sally Greenberg, head of the SES program, predicted in speeches that as many as 60 percent of the eligibles might eventually sign into SES.

In fact, when the Senior Executive Service hung out its shingle in July 1979, it included not 50 percent of the eligibles, not 60 percent—but 98.8 percent. Of 6,836 eligibles in grades 16, 17, and 18, only 81 declined, and most of those were people about to retire. One might say that the decision to join was virtually unanimous.

Interesting. Was the popular perception of a bureaucracy obsessed with security an anachronism? Had the civil service, on the contrary, nurtured a breed of officials supercharged with a derring-do that impelled them to throw caution to the winds and go for broke? Or, perhaps, had the administration bullwhipped the federal executives into accepting the new order or else?

The answer to all of the above is none of the above.

We Have A Dream...

How, then, to explain the mad dash into SES?

Or, to put the question differently, whose idea was SES anyway? This seemingly stern measure is not a pristine creation of the Carter administration. Few ideas in government are new. What happens is that a dream is born somewhere in the warrens of bureaucracy. It is run up the flagpole, but nobody salutes. So it is taken down, folded neatly, and brought out again when a new crowd comes in looking for "new ideas." Among the fondest of these dreams cherished by federal managers is a way to escape—at least for themselves—the salary shackles of the civil service. It is a dream that has practically worn out the flagpole sliding up and down. Tirelessly, senior civil servants have suggested to the blue ribbon commissions which periodically study the federal structure that better pay would revitalize the bureaucracy's leadership. And invariably recommendations for achieving that end have been packaged in some form of a new "elite" executive corps.

In 1949 the Hoover Commission called for establishing "Career Business Managers" with prestige awards. The second Hoover Commission Report of 1955 proposed a "Senior Civil Service," a corps of executives qualified for reassignment from one agency to another. A Civil Service Commission proposal for a "Federal Executive Service" was taken up by the Nixon administration and might have made it through Congress had it not been overtaken by the Watergate chaos.

The Carter administration came in needing *something* to propose after campaigning on reform of the bureaucracy. A task force—composed, as is inevitably the case, of senior members of the bureaucracy to be reformed—looked into the matter, dusted off the dream, and offered it up as the Senior Executive Service. Under the circumstances it made sense to the administration to present the plan to the public as putting the bureaucracy on notice that it must shape up or ship out. Prudence dictated downplaying the pay windfall that the federal managers finally had brought about.

Before looking at that phenomenon, it's worth a sidelong glance at the reward and penalty pay arrangement worked out for the supervisors at the levels just *below* the senior executives, at grades 13, 14, and 15. There is some substance to this reform. Supervisors in those grades have a guaranteed right to only half the annual "comparability-with-industry" raise; if, for

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> At HUD, the criteria for awarding SES bonuses include 'Decisions rarely, if ever, questioned by client groups' and 'Decisions consistently praised by affected groups'. . . .

example, the raise for the federal service is set at eight percent, these supervisors would be entitled automatically to four percent. And that, presumably, is what those supervisors rated least effective by *their* supervisors would get. Now banish any vagrant thought that the unearned half of the raise would revert to the Treasury. The money becomes part of a pool within each agency, and is used to fatten the raises—beyond the eight percent—of those supervisory people whose efficiency has been rated more favorably. So there would be those who get half the raise, those who get the full raise, and those who get the full raise a la mode.

Now, since the grade 15s write the performance appraisals of the 14s, who in turn rate the 13s—and since the pool of bonus money can be augmented only by increasing the number of those who receive only the half-raise—the higher grades have some motivation to judge their subordinates with a measure of righteous severity. (The process also serves as an illustration of the classic organizational principle that dung flows downhill.) Whatever its weaknesses, the arrangement does have real carrots and sticks and it does have the merit of being, in a manner of speaking, financially self-contained.

The senior executives have dealt themselves—for, realistically, not Congress but the upper bureaucracy itself drafts this kind of legislation—a much better hand, and one that helps explain why everybody and his uncle rushed to sign up. In the SES, the dung not only doesn't flow downhill, it has virtually been eliminated.

For starters, salaries in SES begin at about $50,000 and will, when current federal pay ceilings are lifted, range up to about $70,000.

But the real carrot comes in the shape of bonuses ranging up to 20 percent of an executive's salary. (Although one point made in the selling of SES was the idea of bringing in non-career executives from outside—presumably gung-ho types attracted to a stint in government by the new rewards—only careerists are eligible for the bonuses.) Within that 20 percent, the senior executives, in effect, determine the size of the bonuses they pass around to each other. The Civil Service Reform Act provides that no more than 50 percent of the career executives in each agency can get bonuses in a given year. For all practical purposes this means that half the career executives *will* get bonuses each year; and, roughly speaking, one can assume—at least after an initial period of self-consciousness—that most of the other half will get bonuses on the alternate years.

Unlike the set-up for the lower supervisors, the SES bonus system is not self-contained. The bonuses are paid out of the agency's operating funds, which is to say that the budget requests are simply expanded to pay the bonuses. There is little motivation on the part of the topmost executives to limit the largess going to the other members of this most exclusive club.

The SES being still a nursling, only a few agencies have completed their 1980 awarding of bonuses. Among the first to do so was the National Aeronautics and Space Agency. Allowing for the fact that one navigates cautiously on the shakedown cruise, the NASA experience is probably indicative of how the money would be spread around. NASA has 520 senior executives, not all of whom are

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careerists, and it awarded bonuses to 240, or 46 percent of them (thereby rattling the cage of an election-jittery Congress, which promptly lowered to 25 percent—at least for this year—the number of SESers who may get bonuses).

Beyond the bonuses are the super-bonuses, awards called "Presidential Ranks." One percent of *career* senior executives—again, not the outsiders—may be designated as "Distinguished Executive" and awarded bonuses of $20,000. Another five percent (our calculator now shows 56 percent of the career SES annually eligible for bonuses) may be knighted "Meritorious Executive" and receive $10,000 bonuses. These ranks, each of which may be awarded only every fifth year to any given person, are awarded by an outside panel. But although anything is possible since the Rabbi of Rome converted to Catholicism, we can expect the panels to rubberstamp the choices made by agency bureaucracies.

Critical Clients

A case can be made that a system of substantial bonus awards, selective enough to invite public scrutiny, could contribute to more efficient management and bring into government talented outsiders who need the lure of large denominations. But dousing the existing executives almost indiscriminately with bonuses does nothing to attack the essential problems of management in government.

These problems have little to do with executive compensation, which has risen dramatically in recent years. Nor have they to do with laziness: the upper echelons are manned, for the most part, by able, ambitious, and generally hard-working people. The problem, rather, is how to deal with the rampant bureaucratic imperative, how to divert the energies and intelligence which agencies now expend on self-interest—the lobbying with support groups and congressional committees for increased funding and expansion, and the massive internal emphasis on those same ends—back toward public service.

That being the case, one has to wonder about the basis on which the senior executive will be rewarded with a bonus. Will it be because his hard work has contributed to the public welfare or to the welfare of the agency? In the eyes of the senior executive, emotionally involved in his "mission," the two are identical: what's good for his agency is good for the United States. The man who earns the plaudits of his colleagues is the budget officer who comes up with a fanciful rationale to justify a larger appropriation for his agency, not the little louse who points out that the public interest would be better served if the appropriation were cut in half. The shrewd operator who manages to contract out a half-million dollars in dubious consulting jobs just before the fiscal year ends gets the kudos, not the little shithead who, failing to block the contracts, drops a line to Jack Anderson. The bonuses are not likely to go to the Ernie Fitzgeralds of this world.

This suspicion is reinforced by the mechanism chosen to select the bonus winners. The paperwork basis on which all SES awards are dispensed is a system of "performance appraisals." Each agency works up its own criteria for bonus awards (with a cursory check by OPM to assure compliance with the legislation). The most common formula consists of a column on the left listing the goals of Senior Executive Bledsoe, and a column on the right indicating the extent to which he has flubbed, met, or exceeded those goals. (Long-suffering government-watchers, meet, once again, Management by Objectives.)

The Department of Health and Human Services, for example, sets as a "critical element" in the fulfillment of one senior executive's goal the filling of three vacant senior level positions (which are identified) by a specific date. He will be judged to have *exceeded* the standards if he fills the jobs before that date. Well, the odds are pretty good that our man is going to fill those vacancies before or by his deadline and put himself in line for a bonus. Who or what he fills the vacancies with is something else.

Another senior executive in the same agency learns that 30 percent of his performance appraisal will depend on how well his bureau meets certain Equal Employment Opportunity goals. Ten such goals are listed ("Hire staff at the GS 13/15 level at the rate of 18.5 percent for minorities", "Allocate 50 percent of para-professional vacancies. . . for minorities and women", "Hire staff at the GS 13/15 level at the rate of 29 percent for women", etc.). To exceed the standards, the execu-

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tive must meet at least five of the ten goals. Again, we can expect Bledsoe to come through, to subordinate his judgment of the competence of individual candidates to the desirability of climbing on the bonus train.

A Housing and Urban Development performance appraisal sets out to measure the quality of "judgment" in executives. Of the three standards it establishes as a yardstick, two are "Decisions rarely, if ever, questioned by client groups," and "Decisions consistently praised by affected groups." Now, while it is the function of a bureaucracy to serve the public, it is not its function to yield to every demand by every "client group"—a euphemism for pressure group. But clearly the executive who okays the grant, whatever its validity, or lets the contract, however questionable, is less likely to draw static from his clients. Client groups are the heart of a bureaucracy's lobby, its partner in a mutual back-scratching society. In that light, the judgment of an agency executive who hopes to get a bonus by resisting the pressures of these groups is indeed questionable.

Concern about whether awards are to be made on the basis of real results or bureaucratic casuistry came up in hearings before the House Civil Service Committee in May 1980. Rep. Patricia Schroeder, using the space shuttle as an example, asked a NASA official, "Who is responsible for the adhesive that holds the tiles onto planes that keep falling off? How do you crank that in [to the performance appraisal]?" Said the NASA official: "One of the specific objectives obviously for the shuttle manager... would be to fly the shuttle by such and such date or to fly the shuttle successfully, to have the tiles stay on, whatever is required by such and such a date. *This may or may not be a critical element* [of the performance appraisal]. *It is up to the executive position manager of that person to declare that it is a critical element.*"

In some astonishment, Mrs. Schroeder asked rhetorically, "So somebody could get a bonus even if it does not fly?"

The more candid of the senior executives openly concede that the bonuses are simply an add-on to raise the general level of salaries. Clearly, some federal managers—although they are probably in a minority—could better their $50,000-plus salaries outside of government, and they feel that a

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bonus ranging from two to twenty thousand dollars helps balance things out. Just as clearly, a sizable number of unexceptional federal executives, so long as they play the role of good company men, will share in the shower of bonuses. In either case, the broadside distribution of carrots, of itself, in no way promotes the efficiency of government.

...and Carry a Big Carrot

Which brings us, finally, to the question of "risk," and to the winnowing out of the less competent executives—one of the premises on which SES was sold to the Congress as a reform. The extent to which the concept of risk has stuck to SES is not a tribute to the astuteness of the press. This past summer, for example, when the House of Representatives (with an eye to its voting constituents) was considering keeping a lid on the total pay of executives, *The Washington Post* (perhaps with an eye to *its* constituents—the civil servants who make up the largest chunk of its subscribers) wrote, in an editorial titled "Doing Wrong by Civil Servants," of the "increased risk of penalties for inadequate work" that federal managers now incur. The *Post* deplored the withholding of bonus money from executives "after they have given up their security"; a columnist for the *Post* wrote of the top executives having been "lured" into the new system.

What risks, precisely, does a Senior Executive run? What security has he abandoned? If he is a political appointee, or a non-careerist, he is subject to removal at the pleasure of the agency—as has always been the case. If, as is true of the great bulk of SES, he is a career servant, his risks are absolutely zilch. In the event that he is bounced out of SES, he lands not on his ear or rear, but—according to the statute—back in the regular civil service, "*guaranteed a suitable position at his most recent SES salary or above.*" (This same protection applies, after a year of probation, to recruits from outside government who are found to be inadequate.) And his removal from SES is required only after he has received two "Unsatisfactory" ratings (within five years), or two "Minimally Satisfactory" ratings (within three years)—extremely unlikely possibilities in the clubby atmosphere of the career service's top ranks. After the 7,000-man SES had been in operation for a full year, the Office of Personnel Management knew of not one case of a career senior executive receiving an unsatisfactory performance rating. (At NASA where, uniquely, many of its senior executives do not yet have career status, of 540 ratings there was one unsatisfactory rating.) About the only element of security a civil servant loses when he joins SES is the right to hold a *particular job* indefinitely: he can be reassigned to another SES job within his own agency.

Of course, the original SES plan (and all its predecessors) had envisioned a managerial corps that could be transferred *between* agencies, as the needs of government dictated. You might even say that this provision had been the crucial feature of the reform, since it alone promised to break the link in the senior bureaucrat's mind between his own prosperity and the prosperity of his agency and its "client groups." He could cut his department's budget in half, if he saw fit, collect his bonus, and then be assigned to do the same at another agency. But, early on, the element of inter-agency mobility was dropped from the SES program out of deference to the qualms of the career servants. Members of SES may not be involuntarily transferred to another government agency.

All in all, it's not hard to see why, in the face of the risks and hardships implied in the official pronouncements, the senior careerists flocked en masse into carrotful but stickless SES. Any astonishment should have been directed at the apparently lost capacity of the President and Congress to resist the self-interested pressures of the bureaucracy—and at the gullibility, or just plain laziness, of the nation's press, which became part of the scam by which this long-nurtured dream of the senior civil service was sold to the people who will pay for it.

In May 1980 the Virginia Electric and Power Company also announced a carrot-and-stick program: it cut the salaries of its top 150 executives between eight and ten percent as an incentive for them to make the utility more efficient; they are to get back the pay cuts plus a bonus next year if they manage to improve the company's earnings.

The government doesn't operate that way. ■

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Several Valedictorians Called the Survey Misleading

As a part of the celebration of its 25th reunion, Yale's Class of 1955 distributed questionnaires to its members, inquiring about, among other things, their class standing. One third of the class answered that they had ranked in its top quarter.

Tidbits & Outrages

All the Rights, Privileges, and Responsibilities Pertaining Thereonto...

The latest self-help book is *Moving Up in Style: The Successful Man's Guide to Impeccable Taste.* It includes pertinent advice about:

Office politics: "If you find it easier to use a typewriter, go ahead, but never let anyone see you. In fact, no one should ever see the typewriter. Close the door while you're doing it. . . ."

Cars: "For style, nothing matches a Mercedes-Benz. They're so common among high-level executives, it's almost a condition of employment. If you have pangs of conscience, buy a Mercedes diesel. . . ."

Home: "No matter how much time you spend at the office, on vacation, or out on the town, sooner or later you have to come home."

The book is written by Steven Woodward Naifeh and Gregory White Smith. Both are graduates of Harvard Law School. . . .

They Only Lost Money on The Letters that Went Off

What do the Jordanians know that we don't? According to the Jordan Information Bureau, Jordan's postal service handled 41,335,175 pieces of mail in 1979, with a net *profit* of $2.5 million.

BLEST BE THE TILE THAT BINDS

Remember our April story about the space shuttle project? Here's the latest from Mike Toner of *The Miami Herald:*

"CAPE CANAVERAL, Fla.—More than a year ago, the space shuttle orbiter Columbia, still sporting the incomplete patchwork of heat-resistant tiles that earned it the nickname 'ugly duckling,' arrived at the Kennedy Space Center to undergo final preparations for its maiden voyage into space.

"The National Aeronautics and Space Administration expressed confidence that installation of the remaining 8,000 ceramic-coated tiles would be completed by mid-July 1979. The shuttle would fly before the end of the year.

"Today, 14 months after it arrived at its Florida launch site, the winged spacecraft is still earthbound, surrounded by scaffolding and an army of busy spaceport workers. Despite more than two million hours of work on the Columbia's thermal protection system, NASA says that it is still 8,000 tiles short of completing the task.

"The last year at the Cape has, in fact, acquired the aura of a nightmare. For NASA and an estimated 1,200 blue-suited, white-gloved technicians at the sprawling space center, the nightmare has become a 24-hour-a-day, seven-day-a-week reality. Installation of even one of the 30,992 tiles that will protect the Columbia from the searing heat of re-entry is a long, exacting process of machining, fitting, trimming, curing, gluing and testing. It often takes one worker a week to put one tile in place. 'The team at the Cape has been licking and sticking them at the rate of nearly 700 a week, but the engineers are finding almost that many to take off,' says NASA Associate Administrator John F. Yardley.

"Throughout the last year, new structural tests of the shuttle have pinpointed thousands of tiles that needed strengthening or replacement. And workers installing the new tiles have damaged more than 9,000 of the tiles already in place. 'We've already put on more than 30,000 tiles, but there have been some weeks that we've had to take off more than we installed,' said Kenneth L. Kleinknecht, the bespectacled NASA engineer who oversees the final assembly. . . ."

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The Most Powerful Nobody in Washington

by Gregg Easterbrook

"I've been in this town for ten years, and only one thing makes me nervous," the lobbyist says, reaching for the phone. "I routinely call on senators, congressmen, cabinet secretaries. I'm used to that. I've known two presidents. But if I even have to speak with this guy on the phone, I get sweaty palms. It's terrifying."

He dials. A deep, imperious voice answers. For the lobbyist, a year's work hangs in the balance. He has been hired to promote a program, and now he wants to know if it will be funded. He asks. He waits. He hears... silence.

Ten, fifteen seconds. Utter silence. He starts to repeat the question, hesitates, stops. Twenty seconds. Thirty. His silk shirt begins to pucker with perspiration. Still no reply. Finally he mumbles something about an incoming call and hangs up, hands trembling.

The confrontation is over. His antagonist has spoken a single word: "Hello."

Not many people can intimidate by saying hello. In this case, however, the hapless lobbyist has run afoul of one of Washington's most powerful men—William H. Jordan. Don't feel bad if you've never heard of him. Thanks to the miracle of computer indexing, we know that his name has not appeared within the past decade in *The New York Times, Washington Post, Los Angeles Times,* or, for that matter, *The New Orleans Times-Picayune.*

That suits him fine. "I tend to be anonymous," Jordan says, plainly pleased with the fact. Yet he is at once anonymous and prominent. According to the official charts, he is merely chief counsel of the Senate Appropriations Committee's subcommittee on foreign aid. There he exerts a degree of direct control over an entire segment of government that is matched by few men in Washington. He has no hesitation about using his power. Throughout the field of foreign aid, says a World Bank officer, "nothing can happen without Jordan's personal approval."

In Washington, where influence is usually measured in newspaper column inches, few power-seekers shun publicity. William Jordan is something of an anachronism, an echo from a time when Capitol Hill staff members quietly accumulated power while hiding beneath camouflage nets of perfect opacity. The House and Senate appropriations committees have always been fertile

Gregg Easterbrook is an editor of The Washington Monthly.

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CHRISTINE ARCHANGELI

places for a diligent "staffer" to cultivate power, since every agency must clear its money through those bodies.

In Jordan's case, his subcommittee passes on funding for the Agency for International Development, the Export-Import Bank, the Peace Corps, and U.S. contributions to the United Nations, World Bank, and other "multilateral" institutions. A long list, though nowhere near as impressive as the domain of other subcommittees. What sets Jordan apart is the level of *personal* influence he enjoys. Many agency officials consider him more important to their plans than the senators he serves. Ted Van Dyke, a former senior AID official, describes Jordan as "the most feared figure in the foreign aid establishment."

"Feared" is not as melodramatic an assessment as it may sound. Few of the sources interviewed for this article would speak about Jordan on the record. This wasn't entirely surprising; since everyone interviewed was part of the relatively closed foreign-aid community, and in some way dependent on Jordan, they could hardly be expected to sign their names to criticism of him. But even some who praised him didn't want it attributed. One high official who called Jordan "tough but fair"—not exactly a vicious slur—initially agreed to be quoted by name. Within minutes he called back, demanding that the quote be masked. He didn't want it known that he had even *discussed* Jordan. "It's too great a risk," he said.

Appropriations Technology

Now 51 years old, William Jordan came to Washington from Georgia in 1955 to join the staff of Richard Russell, the late Southern patriarch who treated the Senate as his lifetime fortress, home, and hunting lodge. The Ivy League dominated downtown Washington, but the South still held the high ground. Men like Jordan (who pronounced his name *Jer*-den long before it became fashionable) were often treated as backwater rubes by the striped pants set, and they took no small delight in stuffing their authority down the throats of the establishmentarians.

It is difficult to coax Jordan into speaking about himself, even if one is willing to endure his interminable pauses. But he will say, without hesitation, what drew him to Russell. "Russell was all-powerful," Jordan says. "Congressional power was not as diffuse as it is today." It could be used quickly, effectively, and without apology. And there was the attraction of permanence. "In those days," he says, "we believed in institutional loyalty. You stood by your senator and the institutions of the Senate."

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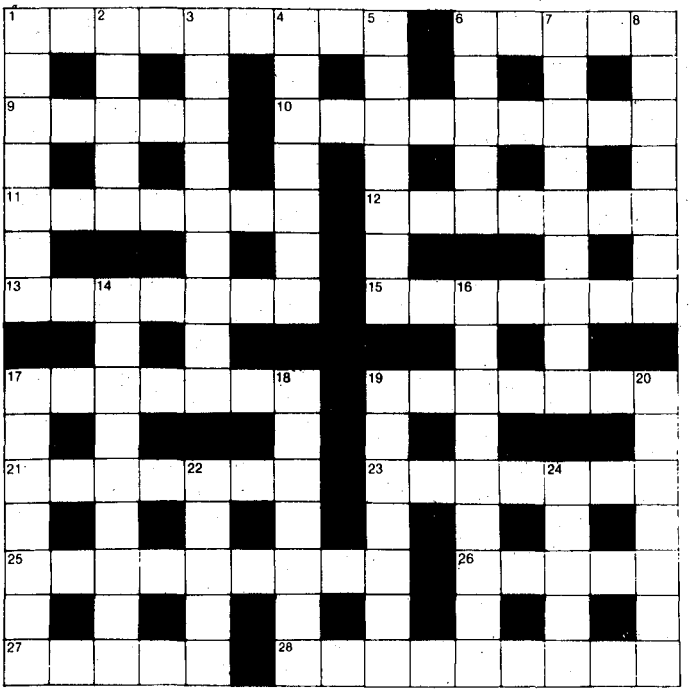
the political puzzle

by John Barclay



The numbers indicate the number of letters and words, e.g., (2,3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.

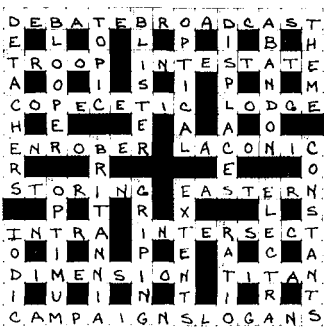
ACROSS

1 Dill dean's big victory and... (9)
6 ...overt change who made it possible. (5)
9 Akron plotted to get book out. (5)
10 Hands over and takes out in Georgia. (9)
11 Improper issue from tumbling tabards. (7)
12 A dipper somehow settled in advance. (7)
13 Requests and forbids. (7)
15 Donkeys and elephants. (7)
17 Southern Pacific routes used by carpenter. (7)
19 Make a gift now? (7)
21 Mix toy and a Florida beach. (7)
23 Draw again a Communist floater? (7)
25 Copy troubled past tooth. (9)
26 Before shave take back morning rub. (5)
27 Eastern Europeans who predict election, we hear. (5)
28 Mixed soccer ale in a squeaker. (5,4)

DOWN

1 Kill Abe weirdly but in a pleasing way. (7)
2 Agents are in glance glance up. (5)
3 Feeling about nose stain. (9)
4 The chemicals Idi does mix. (7)
5 Lee lisp shattered White House neighborhood. (7)
6 In Sarajevo guests were the fashion. (5)
7 One on one in Paris? (4-1-4)
8 Dwells in wild desires. (7)
14 Confection for jazz man? (5,4)
16 Band belle is a good mixer. (9)
17 Liquid equivalent of sugar daddy? (4,3)
18 History in thus is shaky. (7)
19
19 Wrap tot in second division. (4,3)
20 Attire fitted to a tee for good measure. (7)
22 Horns for tramps who lose their heads. (5)
24 Vessel for a taro root concoction. (5)

Answers to July-August's puzzle:



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Jordan never stood quite as close to Russell as he would have liked. He hoped to be number-one on the senator's personal staff, but someone else had the honor and refused to relinquish it. Of his old rival Jordan will now say only that the man was "ineffective," drawing out each syllable and contorting the corners of his mouth as if he were describing a loathsome disease. Eventually Jordan decided to cut his losses and request a committee assignment. When Russell assumed chairmanship of the Senate Appropriations Committee in the late 60s, Jordan went there.

For Jordan, a man who says "The FBI and the IRS are my favorite government agencies," the committee was a natural home. Many of its staff members were, like him, former FBI agents. Most Hoover-era agents learned accounting, a valuable skill at a committee where staff members are expected to pore over page after page of eye-glazing numbers. Equally important, FBI agents were conditioned to expect no personal recognition. It was assumed that they would find satisfaction in seeing their accomplishments credited to the boss.

Jordan first was assigned to the subcommittee that oversees the District of Columbia. After a year, he shifted to the foreign aid subcommittee. It was like transferring an FBI agent from Butte to Chicago. With influence over a much larger budget—currently about $10 billion a year—Jordan began to encounter the special status conferred on appropriations staff members. Government bureaucrats can treat most congressional committees with mild amusement, but appropriations committees, holding the power of the purse, wield the kind of clout the veterans actually fear. Fear struck Jordan as something government agencies could use more of. "People always behave better when they know they're being watched," he says. Appropriations was the proper place to conduct a little plainclothes surveillance, as it were.

Jordan was not slow to understand the nature of his subcommittee's power, nor was he slow to see that the more concentrated that power, the more readily it could be wielded. He was willing to serve as the sole staff member of the foreign aid subcommittee—sacrificing the vain joy of an empire of underlings for the advantages of operating essentially without competition. Through the years, he has been content with the arrangement. Although Capitol Hill staffs have expanded more than fourfold since 1969, Jordan has taken on only one assistant. He doesn't mind the isolation. "I don't socialize much," he says. "I keep to myself. There are lots of parties and such up here on the Hill, but at six o'clock I prefer to go home."

Dialing for Dimwits

When Jordan got his first look at the goings-on in those wild and crazy international agencies, his green eyeshade began to flutter. Foreign aid had long been a colloidal suspension of idealism, rivalry with the Russians, and interest in developing markets. In this battle for hearts, minds, and wallets, the only clear winner seemed to be gilt-edged excess—at which AID was especially proficient. It seemed to have a God-given flair for waste. In 1972, for instance, AID requested money for 500 small tractors for Southeast Asia. It turned out there were already several hundred rusting in a warehouse there. What AID didn't waste, it seemed to be splurging on itself. Jordan still speaks of an AID mission director in Bogota who bought himself $1,700 worth of silverware, on top of the $23,000 in government-financed furnishings already in his house—*after* AID's Colombia program had been ordered terminated. Jordan's reaction to such folly was genuine; even his Capitol Hill critics confirm that. "Jordan feels real anger over waste of the taxpayer's dollars," says one source. "That shows a level of commitment rare in anybody up here."

Jordan lost no time perfecting tactics to accrue power and wring the agencies dry. His first technique was to master the details of foreign-aid programs, and to use them to trap agency officials. Of course, mastering the details sounds like a prerequisite for any job. But in Washington's game of musical resumes, where officials change jobs, specialties, and sides in a fluid swirl, ignorance of detail is often a badge of rank. Even those who know details don't flaunt it, for fear of embarrassing their colleagues.

But Jordan was *out* to embarrass people. The more, the better. Ignoring formalities, he began spot-checking programs, learning the names of middle-level managers who were close to the real work,

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and calling them directly. He deliberately bypassed the "congressional liaison" smoothies—the ones who mumble "let me get back to you" even in their sleep, and whom he reportedly singles out for special contempt. He chose instead to call the actual program managers at their desks, confronting them, in insistent or even brutish tones, with blunt, rapid-fire questions. "He usually already knew the answers," said one victim of a Jordan grilling. "He wanted to hear what you'd say. If you said the wrong thing, you were in for it."

Calling up responsible personnel and asking them questions about their fields of expertise hardly sounds extreme. But in the civil service bunker, it's war. "People in the bureaucracy are just not used to being called and asked for answers," says an AID assistant administrator, intending no irony.

In the course of making his rounds, Jordan frequently came across remarkable examples of tax dollars at work. Once Jordan got wind of an advertisement placed by an AID mission director who was moving to Nigeria. He was looking for a house to rent, with AID funds, and his ad set forth such requirements as a swimming pool, terraced gardens, servants' quarters—everything short of a cotillion hall. Jordan grabbed hold and never let go. "For three years he belabored that ad whenever we asked for money," an AID official says. "He reminded us about it again and again—long after the idiot who placed it had been fired."

Jordan makes no apology for exploiting the ad. To him, the incident comes under the heading of a "horror story," and his rule is to use any horror story he can find as long and as often as he can. Such a story, he points out, is the stuff of headlines—the shortest way to drive home a point without getting sidetracked by philosophical analysis or overwhelmed by what might be called the 20,000-to-1 Factor. "In the beginning," he says, "it was just me against 20,000 people clamoring for money. They could cover me with lawyers, generals, and assistant secretaries anytime they wanted. So when I found a horror story that made a point, of course I used it."

Most of the horror stories that Jordan finds are aired fully during the subcommittee's budget hearings, with the approval of the chairman, Senator Daniel Inouye of Hawaii, Jordan's current boss. Jordan won Inouye's confidence long ago. In 1972 the pair toured Southeast Asia AID facilities—one of only two field trips for Jordan. On the way there, Inouye speculated about whether the AID people would have followed up on recommendations contained in a recent subcommittee report of which he was particularly proud. Jordan predicted they would find the report had been ignored. Indeed, local AID officials and embassy personnel professed no knowledge of its existence. All 3,000 copies had been locked in an AID warehouse and forgotten.

In Thailand, the two were shown a panorama of AID construction sites and warehouses, but they were not invited inside. Jordan insisted they check each building personally—not to look for lost copies of Inouye's report, but just to see what AID was up to. "I said, 'All right, you take that side, I'll take this side,'" recalls Inouye. "There we were, rummaging around like a couple of stockboys. In one warehouse, Bill called me over and said, 'Boss, you better have a look at this.' A whole wall was stacked with crates stamped with the handclasp—AID's emblem. The crates were packed with fragmentation grenades." AID regulations allowed equipping local police with riot-control devices like tear gas, but not anti-personnel terror weapons intended only for war. On the spot, Inouye concluded that Jordan's smoldering suspicions about AID were, if anything, understated. He gave Jordan carte blanche to go after the agency, a precedent for many other arrangements the two would make.

Low Overhead

Among agency people it's an academic question whether Inouye has given Jordan control or whether Jordan has simply seized it. Either way, Jordan has skillfully exploited another traditional key to staff power on the Hill: he has frozen off access to his superior. "Agency directors always go to Jordan—never over his head to Inouye," says Charles Flickner, a member of the Senate Budget Committee staff.

The operative phrase is *never over his head.* Leapfrogging an unfriendly official, of course, involves a gamble for any bureaucrat—if you lose, the leapee knows

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that you have tried and failed, and will treat you accordingly. One Treasury official I spoke with did remember going over Jordan's head—once. "We only tried it because we knew he would be out of town that day," he said.

Such bursts of courage are rare. More typical is the experience of Ellen Yaffe, former budget director of the Peace Corps. "Nobody ever dared to go to Inouye and tell him his staff had no right to make day-to-day decisions affecting us," she recalls. "I pleaded with leadership to tell Inouye about our complaints. They always said, 'No, we can't see Inouye. You have to take your problems to Jordan.'"

If Inouye is troubled by reports of Jordan's extraordinary influence, he gives no sign. "I know Bill tells people, 'If you don't like it, go see the boss,'" Inouye says without expression. "And they're welcome to come. But they seldom do. They know I've never had to overrule him."

Secure in the knowledge that he won't be overruled, Jordan sometimes operates with a high-handedness uncommon even among senators. At times the entire foreign aid apparatus appears to be at his beck and call. For example, one AID secretary recalls a day her boss was out, and Jordan phoned. "He was furious. He said, 'What right does that man have to be away from his desk during working hours?'" she remembers. "At first I thought he was kidding. But he wasn't. He kept me on the phone for five minutes, berating me. I didn't even know who this Jordan was."

Stories of Jordan's rudeness are so commonplace, they cannot be dismissed as the result of an occasional bad day. "He is condescending and even abusive to people he considers inferiors," says an assistant secretary who deals with him. "He doesn't come after me. I can take it. He abuses the little people."

"People in the agencies don't have the guts to stand up and fight back," said a more cynical source, dismissing Jordan's behavior. "When he doesn't respect somebody, he has a tendency to push, even bully. It's perfectly natural."

When agency officials contemplate fighting back, they tend to pause at the prospect, fearing that even if they win, Jordan won't forget, and that Jordan will be around after Inouye leaves. The Senator is piling up seniority and can be expected to move to a more prestigious chairman-

"...You might have to go back to the days of Thomas Jefferson to find a case more mindboggling..."

JAMES J. KILPATRICK, WASHINGTON STAR

Millions saw the blazing confrontation on *60 Minutes* between Stanley R. Rader and Mike Wallace. From two days of intense interviewing, that program had been slickly edited into 13 minutes of half truths. (The full truth is revealed in the complete transcript, included in this book by Stanley R. Rader, Worldwide Church of God's Treasurer.)

It all began in January 1979, when armed with a hastily secured court order based upon rumor and innuendo, California's Attorney General raided the Pasadena offices of the Church firing employees, ransacking records, declaring himself "boss," and throwing the Church into receivership. This shocking drama comprises the classic church/state conflict. Supported by 83 million churchgoers and the California Civil Liberties Union, the Church is forcing the issue into the U.S. Supreme Court. Its decision will affect the religious rights of all Americans.

AGAINST THE GATES OF HELL

BY STANLEY R. RADER

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ship in due time (he is known to be waiting for the defense subcommittee to open up). Jordan, on the other hand, seems willing to stay with his subcommittee until the tricentennial.

Being There

Jordan has stayed in the same place for only 12 years, but in current Capitol Hill terms this is like being preserved in amber. His continuity is one of his most versatile weapons. He remembers things that most agency officials, who rarely stay in one place for more than a few years, never knew. "At hearings, Jordan feeds Inouye detailed questions about old projects," says one observer. "The witness generally has no idea what they're talking about. He's guaranteed to come off looking like a fool." The device is reliable: all you have to do is reach back before the tenure of the witness—and Jordan predates all of them—and you can't fail to produce a little groveling.

But if Jordan often uses his continuity for petty points-scoring, he also understands—as old Southern senators and big-city bosses understood—that true power comes from staying put. You have to *be there,* in the office, presiding over the details year in and year out. In time, you actually know your business and its history, instead of being in constant on-the-job training like so many Washingtonians.

"Jordan has always been content to let the young guys go out for drinks with reporters to spread their names around," a Hill source says. "He isn't always campaigning for a new job. He stays in the committee room, building his base." Years ago, Jordan's foes may have held out hope that he would take some prestige post, receive a testimonial dinner, and be forgotten. He has often been recommended by "admirers" for ambassadorships. In 1975, when Inouye took on the Senate Select Committee on Intelligence, source of the most-publicized CIA probes, he offered the staff director's post to Jordan. It was, by any conventional measure, a more impressive position than Jordan holds now. Jordan turned it down.

This is the kind of perseverance in the pursuit of power that pays off in the long run. But most young, ambitious Capitol Hill staff people, like their agency counterparts, want to be paid in advance. Washington attaches no stigma to a resume recording a new employer every 18 months—a constant oscillation between posts tends to be seen as a sign that you are in demand, not that you can't hold a job. And, as your titles take on an increasingly Miltonic ring, you are likely to convince yourself that you are indeed powerful. No matter that you never acquire more than a modicum of information about any particular section of the government, and that you cannot possibly possess the authority that comes from such knowledge.

Jordan plays it differently. He takes every opportunity to remind agency officials of his permanence by routinely calling on new agency managers—calls that are about as popular as visitations from the Spirit of Christmas Future. "The day he met me, the first thing he did was lecture me about a minor mistake someone in my job made five years earlier," Ellen Yaffe recalls. "He didn't even say 'How are you?' He just opened fire. And he remembered the exact date of the mistake, and the exact amount involved. His message was clear—if he caught you, he'd never let you forget it."

His power is further enhanced by an unusual resistance to the lures of lobbying. Even though he could undoubtedly improve on his $50,400 salary by "going over the wall," he wastes no effort maintaining cordial ties to industry in order to guarantee a future source of employment. "I could never be a lobb-ee-yist," he says, again twisting the word out slowly as if it represented some satanic perversion. "The day I retire is the day I leave Washington. I'll go back to Georgia and run my farm."

Jordan carries his aversion to such lengths that he refuses even to speak to many lobbyists. Once, he attended a group breakfast staged by Caterpillar Tractor, which is the largest industrial presence in foreign aid by virtue of shipping $400-million worth of subsidized farm equipment overseas every year. Jordan insisted on paying for his own meal, to the consternation of Cat officials who couldn't figure out what to charge, much less who should collect it. "He's absolutely ramrod straight and ethical," says a source who describes himself as Jordan's "sworn" enemy. "There's nothing even remotely sullied about him. Believe me, if there were, I would have found it—and nailed him to it."

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Cool AID

Jordan can be beaten, but only by the occasional official who is able to challenge him with his own tactics. "You have to know more about a program than he does," says Richard McCall, now an assistant secretary of State and once an aide to former Senator Gale McGee. "All the agency people ever want to talk about is broad geopolitical theories. Don't talk to Jordan about abstracts! He deals in specifics. If you can outgun him with specific information, he'll respect you."

Jordan and McCall had running battles over the United Nations Development Program, which teaches Africans to run technological projects on their own. "Sometimes Bill is like a textbook of rational government," McCall says. "In order for me to argue for UNDP, he forced me to examine each project logically and analytically. It turned out the project in Chad was a dud. But the project in the Ivory Coast was extraordinarily creative. So he changed his mind and supported funding."

Sadly, few people at AID adopted McCall's common-sense approach to Jordan. The running battle between Jordan and AID thus provides the raw material for a textbook not on rational government so much as on asylum management. As Jordan has grown more contemptuous of the entire AID program, his penchant for specifics has been transformed into blanket opposition. Since 1969, AID's annual budget has risen only from $1.4 billion to $1.8 billion—a deep cut, considering inflation. Jordan has not been AID's only opponent, of course, but he has been among the most diligent. No peccadillo was so trivial that it couldn't be transformed into a horror story. Picking through the columns of numbers, Jordan stumbled across an AID man in Bolivia who had spent $37 of the taxpayers' money to buy a Weber grill. This was treated as a full-blown scandal in the next round of subcommittee hearings. "They went after AID ruthlessly for that," a participant says. "Inouye hammered it home over and over again how terrible that was."

Having successfully trimmed a tree, Jordan decided to simplify matters by scorching the forest. "They used the grill as an excuse to cut several million dollars from the AID program in Bolivia," the

Domestic Intelligence
MONITORING DISSENT IN AMERICA
By Richard E. Morgan

The past decade has revealed a number of infamous and illegal practices used by federal law enforcement agencies to monitor political dissent in the United States. Morgan is concerned with the tensions between the need to protect privacy and political dissent and the need for the government to protect the community. He concludes that intelligence operations aimed at anticipating criminal activity are necessary in a complex, highly vulnerable society, and can be conducted responsibly with proper guidelines and oversight mechanisms. 208 pp., $6.95 paper, $13.95 cloth

From Ballot to Bench
JUDICIAL ELECTIONS AND THE QUEST FOR ACCOUNTABILITY
By Philip L. Dubois

Over the last several decades, an increasing number of states have abandoned the practice of selecting their judges by direct popular election. After concluding that the potential for judicial elections to hold judges popularly accountable is what might commend them over alternative selection methods, Dubois concentrates on the analysis of empirical evidence to evaluate judicial elections as mechanisms of accountability. 352 pp., 38 tables, $22.50

Manufacturing the News
By Mark Fishman

There is little argument that mass media news projects a particular point of view—the question is how that bias is formed. Mark Fishman's research shows how the routine methods of gathering news, rather than any hidden manipulators, determine the ideological character of the product. 189 pp., $11.95

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observer continues. "They never talked about whether the program itself was worthwhile." The tactic had worked, and the overall strategic objective—cutting foreign aid—could be realized. AID officials, according to the observer, were "much too humiliated to object to the cuts."

Jordan has not been content with spot-checking for surreptitious cookouts in Latin America. He is the overseer of a remarkable reporting system he has imposed on the agency. During the past decade, more than 50 provisions have been plugged into AID's enabling legislation requiring the agency to report everything from detailed spending justifications to line-item breakouts of administrative and consulting expenses. Reports go directly to the subcommittee—that is, to Jordan. The system even requires AID to send Jordan 15 days' advance notice before transferring money *within* accounts. "It gives Jordan, essentially, veto power over any AID decision," says Tim Lovaine, lobbyist for New Directions, a pro-foreign-aid group. "No other agency in government is subject to such scrutiny."

The reporting system is Jordan's ultimate solution to the 20,000-to-1 Factor. But it has drawbacks. It costs the agency $8 million a year to administer, according to former AID director John Gilligan. And it has allowed Jordan to indulge his love of detail in ways that no rational-government textbook would approve. "It always amazes me how much time Bill spends on trivia," says a source close to Jordan. Yaffe, the former Peace Corps budget director, says Jordan would sometimes call her and order her to make minor changes in the contracts of employees—*after* the people had signed and been shipped overseas. He once demanded that she re-do an entire report because she had rounded $999,996 to $1 million, Yaffe says.

Over the Redline

It should be said that Jordan's power is not simply the product of years of solitary perseverance and immunity to the temptations of modern Washington. Some of it has to do with the nature of foreign aid, which is to many politicians a no-respect issue. Senators long to be on the Foreign Relations Committee, where they can pontificate about the need to save the free world and similar huffy issues. They greatly fear to be associated with handing out foreign aid, however, because it is a political clinker. Conservative voters hate foreign aid as a handout. Liberal voters tend to view it as a prop for corrupt dictators. Just about everybody believes the bulk of it is wasted on swimming pools for the Sahel and such. Knowing this, politicians are about as anxious to sound pro-foreign aid as they are to open a kissing booth in a leper colony.

"If foreign aid weren't such a political handicap," says a World Bank officer, "senators wouldn't surrender all their power over it to Jordan. As it is, they're happy to turn him loose. He's always cutting back, which voters love. And if something goes wrong, they just blame it on him." One informed source recalls how even Hubert Humphrey, in his time the most vocal pro-foreign-aid senator, extricated himself from supporting a program he didn't really like by saying, "It's a good idea, but we could never get it past Bill Jordan."

This year's election campaign, featuring liberal senators running as honorary conservatives, has diluted Jordan's importance somewhat. The authorizing Foreign Relations Committee used to "merely rubber stamp whatever money the administration requested," according to one of its former staff members. Now, with chairman Frank Church running hard against his own record, there is suddenly budget-cutting at Foreign Relations. This year Church cut $400 million off the White House request. Ernest Hollings's Budget Committee also lowered foreign aid's "ceiling" by $600 million. All this means that agency officials must woo not just Jordan, but other committees as well.

But when all about him are cutting back, Jordan is prepared to go them one better. On his own authority, he has taken to "redlining" entire programs—not just cutting them back but killing them outright. Recently, he redlined $7.5 million in aid for Bangladesh and vetoed U.S. funding for International Planned Parenthood.

In the etiquette of Congress, redlining is supposed to be the exclusive province of the "authorizing" committees. Jordan's redlining so incensed his counterparts on the House Appropriations Committee—which has a larger staff, and hence smaller domains of staffer influence—that they blocked the fiscal 1980 foreign aid bill, and

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it never passed. (Technically, foreign aid now operates under a "continuing resolution" at 1979 levels.)

"We don't redline, so why should he?" asks a House staffer. "He can take over the authority of his senators if they're dumb enough to give it to him, but I'm damned if he's going to take over for my congressmen, too."

Successful anonymous authorities know their limits. When they see a loss coming, they concede immediately and graciously, cheating their foes of any pleasure. They never push their luck, knowing that a defeat will shatter their image. In pressing his redline campaign, Jordan may have exceeded his limits for the first time.

And there are other limits that Jordan must respect. Any battle that gets wide publicity, or interests senators outside the normal circle of friends, is out of his control. A staffer cannot defy a senator publicly. Humphrey used to push through generous foreign aid legislation by assembling broad, highly public coalitions of senators who would normally be uninterested. One such triumph was his Food for Peace program, which was enacted as a separate administrative entity so that Jordan could not attack it without appearing to challenge Humphrey directly. Jordan has left Food for Peace alone.

Another item beyond his influence is money for Israel and Egypt, grants that make up 40 percent of the $10-billion foreign aid budget. "Israel and Egypt are the only reason the foreign aid bill passes at all," said a knowledgeable source. Aid to the Mideast is also the most widely criticized and easily understood aspect of foreign aid. As such it is openly debated, but not by Jordan; he does not attack it.

Road to Nowhere

Within these confines, Jordan's authority remains. Reaching for power is a challenging exercise, one that invigorates those who master it. But beyond whatever satisfaction it gives him, the fact that Jordan has power is without significance. Power has meaning only as it is used to pursue a purpose. To put Jordan in perspective, you have to ask: what comes of all his influence?

There is a never-ending harvest of nits in Washington, and the town needs those willing to pick them. It's monotonous work, stooping over the phone from dawn to dusk, plucking Weber grills before they blossom into crates of fragmentation grenades. Most of Washington's powerful would rather sow future crops in their vague plans and vacuous hearings. We must be thankful to those like Jordan who do the actual work, however arrogant or vindictive they may become in the process.

But nits alone do not a balanced diet make. They may be the simplest and most readily understood facet of government, but they are also the least critical; after all, everyone is opposed to horror stories and accounting errors. "Jordan is just not a big-picture guy," says one agency director. "He's the classic case of the accountant who'll spend months pursuing a $10,000 mistake, but never deal with whether the $20-million program it's in has any value." When I questioned Jordan on his philosophy of what U.S. assistance should be doing, he shifted to a familiar disclaimer: "Staff members per se have no authority," he says. "We have only what authority is granted us by senators, and they are the ones who set policy. We are delegated only to carry that policy out."

Perhaps Jordan really believes that. For example, he recently eliminated $10 million for a road in the Sudan. Technically, he was right; the project violated a policy against "infrastructure" grants—money for capital-development projects. "Infrastructure" money is supposed to come as loans from development banks like the World Bank.

But there were compelling reasons to build the road. The Sudan had just lost Arabian financial backing by endorsing Anwar Sadat's peace position. Its government was shaky. The road would have joined isolated farmers to a hungry town. "Jordan killed it," one source says. "And he talked about the number of typewriters in the AID office while he was killing it. He just couldn't see that the road would have helped the poorest of the poor, letting the farmers get their goods to market."

Some look on William Jordan and despair, wondering how anyone who had spent so long accumulating power could use it for such narrow ends. Others take comfort in his insistence on proper accounting over proper substance. "Thank God he doesn't pay any attention to the real issues," says one of Jordan's foes. "If he did, he could really hurt us." ■

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political book notes

Public affairs books to be published in September

American Dreams: *Lost and Found.* *Studs Terkel. Pantheon, $14.95.*

The American Establishment. *Leonard Silk, Mark Silk. Basic, $13.95.* In this book, the latest attempt to reduce American society to a set of flash cards, everything boils down to the mighty monoliths of Business, Government, and what the authors call "the third force, the Establishment." Three separate and distinct entities, with no interlocking directorships. Small wonder poor Nelson Rockefeller was so confused.

The Silks' book consists of a long-winded dissertation on what the word "Establishment" means, followed by brisk but aimless sketches of its standard-bearers—Harvard, *The New York Times,* the Ford Foundation, Brookings. The authors lay on with a trowel their notion that Harvard is the central institution of the cosmos, if not beyond. The entire Establishment, they say, "can trace its roots to a real religious establishment, the Unitarian Church of Massachusetts," simply because Harvard was once Unitarian.

After going to great lengths to color-code the behavior of Establishment forces, the Silks make no effort to suggest what any of it has to do with anything. Among their limp conclusions: "Prestige counts. When the Establishment talks, people listen. An echo chamber seems to exist out there in the country for what the Establishment says."

—Gregg Easterbrook

Counting Our Blessings: Reflections on the Future of America. *Daniel Patrick Moynihan. Little, Brown. $12.95.*

Crackers. *Roy Blount, Jr. Knopf, $10.95.* Even if you never want to read another *word* about Billy. . . or anyone else name of Carter. . . don't let that keep you away from *Crackers.* Whatever it is you're doing that seems so terribly important, put it down and go get yourself a copy of this book and about nine cold cans of Pearl beer and all your old Chuck Berry records, and send the kids off to play with their friends so you can sit somewhere comfortable and laugh out loud without feeling self-conscious. Be grateful to the South for producing writers like Roy Blount, and promise yourself not to feel guilty if you never read another word on the op-ed page of the *Times.*

Blount lives in the North now and hangs out with some suspicious people in Manhattan and worries too much about explaining himself to them. A.J. Liebling observed that "Southern politicians, like sweet corn, travel badly." Southern journalists run the same risk. Read Blount now, while the kernels are still full of juice and texture. *—Thomas N. Bethell*

Entropy: A New World View. *Jeremy Rifkin with Ted Howard. Viking, $10.95.*

Empire as a Way of Life. *William Appleman Williams. Oxford, $14.95.* Historians perform a valuable service. They tell us which things Don't Count. The things that Don't Count for Williams are any instances when the United States behaved morally.

The author's thesis is that "imperialism is the opiate of the American people." All U.S. history, to him, has been one uninterrupted progression of a fiendish "apocalyptic imperial strategy" to subjugate the world.

There have been, of course, far too many times—the Spanish-American War, Chile, Iran—when pure lust overcame the principles we claim to represent. But to conclude from this that our sole national yearning is to "take wealth and freedom away from others," as Williams maintains, is like concluding that anyone who has eaten chocolate speaks Dutch.

Williams dismisses as Don't Count the inconvenient fact that we have not made a move against our wealthiest and most desirable neighbor, Canada, since 1812. Is there another country anywhere whose last war with a rich and vulnerable neighbor is 170 years in the past? If imperialism is our "opiate," someone's not passing the pipe.

Particularly awkward for Williams's analysis is the greatest single argument in favor of America as, generally, a moral nation. Namely, our almost serene inactivity from 1945 to 1949. The U.S. had a churning industrial machine reamed out to full capacity, while the rest of the world was still smoldering; we had the irresistible atom bomb and the means to deliver it. We could have brought the world to its knees. We didn't even try.

That America didn't attack Russia, didn't nuke the Maoist hordes, and didn't annex

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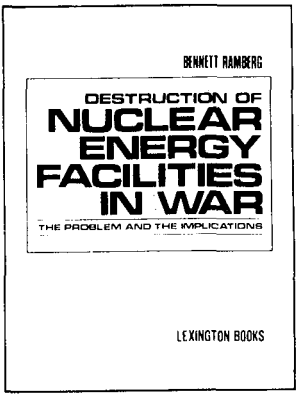
New Titles on Political Problems



Destruction of Nuclear Energy Facilities in War
The Problem and the Implications
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University of California, Los Angeles
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Brazil? Don't Count. Perhaps this explains why Williams's book is, for a historian, a refreshingly brief 240 pages. Before writing it, he dispensed with the bulk of American history.

—*G.E.*

Evaluating Technological Innovations: Methods, Expectations, and Findings. *Bela Gold, Gerhard Rosegger and Myles G. Boylon, Jr. Lexington, $31.95.* The point of this book about the steel industry is that you can't tell very much from statistical averages; and that it's tricky to decide how to make a buck with "new technology." Gold's generalizations are somewhat at odds with his main message—that you should distrust generalizations. He also likes to quote himself, always a suspicious trait. Gold recommends (what else?) more research.

—*Hal Handerson*

The Food Lobbyists. *Harold Guither. Lexington, $27.95.*

History and Memory. *Charles W. Yost. Norton, $14.95.* A graceful collection of essays on our recent history by a diplomat (best known as Nixon's U.N. ambassador) who saw it firsthand. The prose does not transcend, but the logic is clean, the perspective sensible, and the tone never self-inflating.

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Insurance, Regulation, and Hospital Costs. *Frank A. Sloan, Bruce Steinwald. Lexington, $25.95.*

The Italian Americans: Troubled Roots. *Andrew Rolle. Macmillan, $14.95.*

Kefauver: A Biography. *Charles Fourtney. University of Tennessee, $18.50.* A close look at the first presidential candidate to legitimize himself in the primaries—a conservative man with liberal principles and instincts who isn't remembered very well these days. This book, written by a veteran political reporter and friend of Kefauver's, will sharpen our memories. It also provides interesting glimpses of Hubert Humphrey, Adlai Stevenson, Averell Harriman and others. It should be read by anyone getting into politics or political journalism—because it shows the rewards, frustrations, and addictive nature of politics with sympathy and a sharp eye. —*Robert Jacobi*

Mafia. *Enzo Catania. St. Martin's, $8.95.* If you're like me, you've been asking yourself, "When will they put out a really artsy book with 134 pages of close-up photos of dead mobsters?" Well, wait no longer. *Mafia* is here. The photos are big, tastefully cropped, and scarcely cluttered by distracting captions. I'm sure everyone will have his favorite scene of slaughter, but I know I leave my copy cracked open to pages 96-97. There, on the left, is a full-page art shot of five rivers of blood streaming from a man's blown-open head. Opposite is a skillful composition of four photos of men in the backs of cars with their heads blown open. All done with that certain *je ne sais quoi. Mafia* makes the perfect coffee-table conversation starter, enlivening any home with that fashionable adoration of violence you thought you could enjoy only in moviehouses. —*G.E.*

Making It Perfectly Clear. *Herbert G. Klein. Doubleday, $14.95.*

Minimum-Drinking Age Laws: An Evaluation. *Henry Wechsler, ed. Lexington, $18.95.* After the 26th Amendment gave 18-year-olds the vote in 1971, many states quickly gave them the right to drink, too. Some states since have decided that it wasn't such a hot idea: Iowa, Michigan, and Massachusetts are among those that have jacked up the legal age again. The authors struggle to quantify the relationships between drinking age, accidents and traffic fatalities, and other alcohol-related problems. Things get so tangled in statistical complexities that the book's value in debate is minimal.

—*Jo Ann Spanbauer*

No Man's Land. *John Toland. Doubleday, $14.95.*

Nutrition Policy in Transition. *Jurgen Schmandt. Lexington, $22.95.*

The Odyssey of the American Right. *Michael W. Miles. Oxford, $19.95.* An impressive

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analysis of the dynamics and development of the Republican Right as a counterforce to the New Deal's domestic and international interventionist policies.

Once, the Right's common ground was laissez-faire capitalism, with small business interests as a base, accompanied by isolationism toward Europe and imperialism toward Asia. The whole package was wrapped in anti-communism confused by overtones of racism, anti-Semitism, and anti-Catholicism. But "Eastern internationalists" tolerated New Deal social policy and took at least a financial interest in Europe (Willkie, Dewey, Nixon). The "old nationalists" clung desperately to laissez-faire economics and viewed any collectove activity as a moral and mortal danger to Americanism (Taft, Bricker, MacArthur). A breed of "new nationalists" emerged after World War II, willing and sometimes anxious to include Catholics, blue-collar workers, and ethnic groups in their coterie if it would enhance their chances of gaining power. They were also willing to deal with Europe and Asia, though they had differing ideas about how to do it (McCarthy, Goldwater, Nixon again, and—possibly—Reagan).

Miles gets hopelessly bogged down in sociological gibberish at times, especially when discussing "class" (which, alas, is often). Here, for example, is his characterization of Joe McCarthy's proposal to draft striking coal miners:

"This is the convergence thesis of radicalism and the metropolitan elite, which is a logical expression of the dual resentments of provincial businessmen or even of the urban middle class, who feel pressure from above and below in the social structure." —*Pat Martin*

The Old Revolutionaries: Political Lives in the Age of Samuel Adams. *Pauline Maier. Knopf, $15.*

Party Politics. *Leonard Lurie. Stein & Day, $12.95.* The author believes that party politics produce poor presidents because convention delegates are controlled by political bosses. Presidential candidates win support, he says, with "promises of spoils to party hacks." The result is that the American voter "has been effectively deprived of... the power to nominate."

Where has the author been for the past 20 years? Because of the great increase in the number of presidential primaries, the voter has more of a voice in the nominating process than ever. Few convention delegates are chosen by political bosses. In fact, there aren't that many bosses around these days. There also aren't that many spoils for the presidential candidate to offer. The lack of spoils—jobs in government—is the real key to what's wrong, as I argue elsewhere in this issue.

(continued)

MEANNESS MANIA

More than a *wail* to "return" to meritocracy.
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But even though Lurie is dead wrong, I admire him for trying. Most of what is written about politics today by political scientists and journalists alike is chickenshit, because the writers either don't care enough or don't know enough to take on basic questions about what is wrong with the system. So even failed assaults on the larger issues like this one have the effect of focusing our attention where it belongs, and for that we should be grateful.

—*Charles Peters*

The Pugnacious Presidents. *Thomas A. Bailey. Free Press, $15.95.* This book tells you more than you'd want to know about American interventions abroad, but is worth reading. Along the way, it straightens out a few myths, reminding us that the U.S. has been a world power since the 1850s, not just since the days of McKinley; that we didn't win all of our wars before Vietnam; and that luck determines whether a president can keep us at peace. Bailey is sometimes loose with facts (his analysis of the Mayaguez incident makes Ford and Kissinger look much better than they deserve) but his reasoning is generally sound and insightful.

—*R.J.*

The Question of Separatism: Quebec and the Struggle over Sovereignty. *Jane Jacobs. Random House, $8.95.* Another short, original book from the author of *The Death and Life of Great American Cities* and *The Economy of Cities.* The central issue is Quebec's separation from the rest of Canada (Jacobs thinks well of "sovereignty-association," under which Quebec would retain certain ties while dropping others), but the real value of the book is in its exploration of the social, economic, cultural, and bureaucratic meanings of "connection" and "separation." As in her earlier books, Jacobs's strength is the precise unraveling of questions—for example, the circumstances that permitted the only peaceful separation of one country from another (Norway from Sweden, early in this century) and the reasons why Norway, with a population smaller than Quebec, now has a more highly developed economy than Canada does.

—*James Fallows*

Joseph L. Sax

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We are pleased to report that The Washington Monthly *has received the American Bar Association's Silver Gavel Award for two articles by Robert M. Kaus ("How the People Lost Control," July/August 1979, and "Making the Constitution Work Again," October 1979), especially since the articles were critical of lawyers and their role in government.*

Revolution and Revolutionaries. *A.J.P. Taylor. Atheneum, $12.95.*

Southerners: A Journalist's Odyssey. *Marshall Frady. NAL, $13.95.* After you've read Blount's *Crackers* [noted above] you owe it to yourself to go on to this collection of magazine pieces written by Frady between 1965 and 1979. You'll find page after page of fresh and uncluttered insights into the lives and times of the Longs, Maddox, Mills, Ervin, Bond, Carter and many other surnames you would be less likely to recognize. At his best, Frady is a model for other reporters—a watcher, a listener, a noticer of the small quiddities, and in command of wonderful rhythms and cadences at his typewriter. Between Blount and Frady, the South could save us yet.

—*T.N.B.*

The View From 80. *Malcolm Cowley. Viking, $6.95.*

Walter Lippmann and the American Century. *Ronald Steel. Little, Brown, $19.95.*

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